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**THE EVOLUTION OF THE CONCEPT OF "SOCIAL ACCOUNTING" AS A COMPONENT OF THE ACCOUNTING SYSTEM OF AGRICULTURAL ENTERPRISES**

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**Abstract.** *The evolution of social accounting and reporting has been considered. The regularity of the evolution of accounting which causes changes to approaches to business goals has been revealed. The domestic experience in accounting for social capital has been analyzed. The foreign experience of the functioning of the system of social accounting and reporting has been studied. Possible forms of non-financial reporting have been highlighted. The world experience of legislative support of non-financial reporting has been analyzed. The directions of the implementation of social accounting and reporting have been summarized. The prospects for the implementation of social accounting and reporting in the agricultural sector of Ukraine have been determined. The recommendations for identifying objects of social accounting and forming a list of business transactions to be reflected in accounting as socially important have been summarized. The use of the analytical capabilities of the current Chart of Accounts, which allows revealing the social aspect of accounting for business transactions, has been justified. It has been proposed to improve the accounting policy by updating it, namely the inclusion of the section "Financial accounting of social activity". The options for possible detailing of financial statements in order to disclose information about social activity have been systematized. The proposals on the algorithm for the formation of social reporting have been made.*

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**Introduction.**

Expanding the practice of implementing the system of social accounting and reporting in a globalized world, integrating universal principles relating to human rights and his/her positions, as well as environmental standards and mechanisms for combating corruption in the global socio-economic system, indicate the relevance and feasibility of expanding the range of financial issues on the farm to socially oriented and targeted at the person as a professional. As international practice shows, maintaining social accounting and non-financial reporting is effective tool for managing the results of social programs and bringing them to stakeholders.

In the middle of the twentieth century, Western researchers found that one of the tasks of accounting is to inform employees of the enterprise, and society as a whole about the economic results of a particular subject and their social impact on the occurred events. As a result of constant systematic operational recording of reliable information on non-financial issues of the functioning of the enterprise, economic growth of the economy as a whole is achieved. Due attention to social factors both inside and outside business entities, the consideration of ethical standards and social support are important issues that enterprises face when planning their successful future. Issues of social accounting are no less relevant than the sphere of cash flow or equity.

### **1. Formation of the concept and foreign experience of the functioning of social accounting and reporting system**

To achieve economic growth, business entities must carry out continuous operational recording of reliable information on non-financial issues related to the functioning of the enterprise. Increasingly, one can find references to social accounting in company reports, mass media, and political speeches (both Western and domestic).

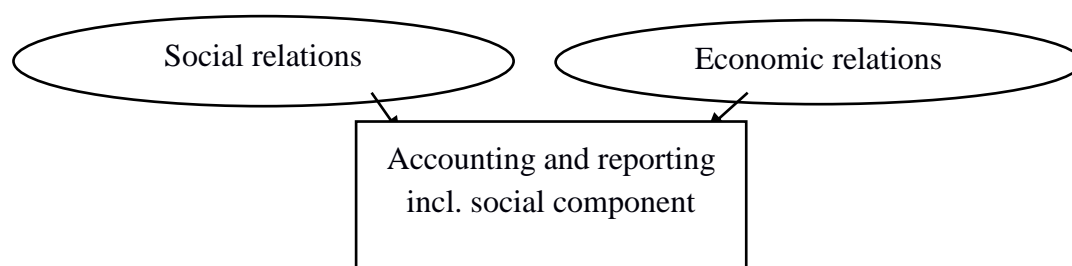
Professor Y. V. Sokolov, who is one of the leading scientists among those who studied the history of accounting, notes that "accounting is a socially determined discipline that differs from such exact sciences as, for example, physics which studies objective information about the real world. The structure of socially determined science is constantly changing in accordance with the requirements of society" [3, p. 6].

In the process of evolution of accounting, the achievement of profit has ceased to be the only goal of the functioning of the enterprise, but a new goal arises - socially oriented. The coordination of these two business vectors is achieved as a result of a combination of the principles of a market economy and social responsibility.

The Ukrainian economy can become socially oriented if it reflects complete and reliable information about the activities of each enterprise. Scientists, exploring in a complex the development of socio-economic conditions and accounting, prove the interdependence and interconditionality of these processes. According to the professor M.S. Pushkar, "the existence of a modern society is impossible without accounting, as one of the information systems. At the same time, the development of society poses new requirements for the accounting system" [1, p. 21]. The French scientist J. Richard also notes that "double-entry bookkeeping can, depending on circumstances, be a social reality and/or an object of science" [2, p. 29]

Socio-economic changes that occurred in the XX century led to the fact that there was an objective need to take into account the growing needs of not only owners, but also staff and external users in reporting. It is social reporting that can satisfy the needs of various interested groups and society as a whole.

Thus, accounting (in the context of socially oriented activities) operates at the intersection of social and economic phenomena (Fig. 1).



**Fig. 1. The place of accounting and reporting in the public relations system**

*Source: built using [3]*

In the Soviet Union, there was a science of social management, whose study object was the social processes at the enterprise, the socio-psychological organization of the functioning of society and individual collectives (whose representatives are A.M. Avierin, V. H. Afanasiev, V. H. Bielov, I. Halushko, I. Khol, P. M. Liebiediev, M. Markov, R. V. Martanus, V.S. Osnovin, H. I. Petrov, M. H. Chumachenko, etc.). As a result of the introduction of social management methods, the tasks were solved to maximize the efficiency of the use of labor resources, regulate labor discipline, eliminate staff turnover, improve the qualifications and professional level of employees, improve the internal production climate, eliminate occupational diseases and occupational injuries, meet the needs of physical and spiritual development of team members by public consumption funds.

Domestic experience in conducting social accounting and compiling social reporting was practically absent. In the practice of Ukrainian enterprises and financial and credit institutions, social reports are still an unusual occurrence (the first social report was drawn up by the credit union “First Credit Society” in 2006), but globalization and integration processes lead to the need for their greater implementation.

According to the materials of an expert study of the National Academy of Sciences of Ukraine and the Institute of Sociology, 71% of Ukrainian enterprises, among the possible positive consequences of social activities of companies, note an increase in stability in society, while among the internal consequences, most note only moral satisfaction (23%) [5, p. 22]. And since the functioning of one’s own business from the inside, taking into account the Ukrainian mentality, is a paramount task, these statistics confirm the low level of practical implementation of the ideas of social responsibility of business. Practice has led to the need to develop more thorough standards for assessing and comparing enterprises in terms of public responsibility, for which it is necessary to develop an appropriate scientific justification.

In world practice, there are three forms of non-financial reporting: free-form, integrated reports, standardized reports. Standard forms have certain advantages, because there are opportunities to compare with reports of other companies that provide the prospect of determining the social rating of a company. The most common international standards for social accounting and reporting today are Sunshine standards; GRI AA1000; SA8000 whose choice depends on the needs of the company 8].

The experience of foreign countries, which clearly define the rules for compiling social reporting, as well as mechanisms for interaction between enterprises and the state, non-profit institutions, the public, etc., is promising for implementation in domestic practice. In particular, companies listed on the Johannesburg Stock Exchange are required to prepare a consolidated report, which, along with the financial statements, includes a sustainable development report. In the UK, public companies must report on social and environmental issues in their annual financial statements. According to research, in the USA and Canada, there is a clear tendency for open companies (listed companies) to publish non-financial reports in order to disclose information and be transparent in their activities in the field of sustainable development. The vast majority (82%) of companies that published a non-financial report are state-owned companies (listed companies). At the same time, there is a growing tendency to publish sustainable development reports among private enterprises in order to increase their transparency, attract customers and develop their own business.

Scientific provisions can be considered justified only if they are practically implemented. The first professional and public organizations to disseminate and develop the ideas of social accounting were created in the USA. The American consulting firm ABT Associates was one of the first to apply the concept of social accounting in its activities. In 1970, the company checked its previous annual financial statements in the context of the following issues: labor productivity; contribution to improving knowledge; the impact of company activities on employment, healthcare, education and self-development, physical education, transportation, organization of free time; environmental impact of the company.

At the same time, social accounting as an approach began to develop in the UK, where the public organization, The Public Interest Research Group, created Social Audit Ltd. This organization conducted and published the results of studies on the activities of large companies, and far from always getting permission for this from their owners.

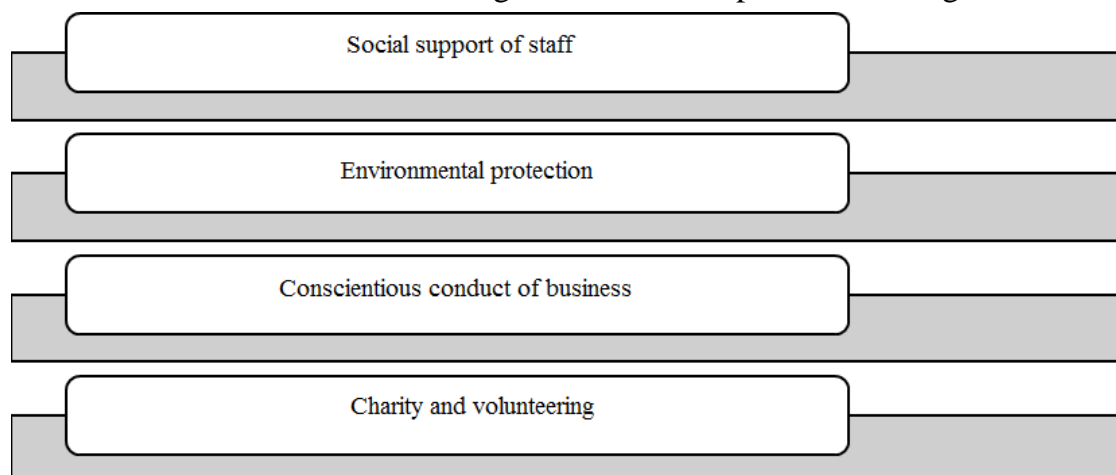
In the 80s of the XX century, interest in social accounting decreased slightly, but reappeared in the mid-90s, which was due, in particular, to the growth of environmental awareness and, as a result, interest in social relations. Social accounting as a system strengthening relationships with interested users, in order to increase understanding and improve the social impact of business entities, at that time began to develop in the UK with renewed vigor - the New Economics Foundation (NEF). NEF has promoted the implementation of social accounting regulations and, using real-life examples, auditing various companies, has demonstrated that this approach enables companies to manage more efficiently. From 1995 to 2000, NEF carried out social audits of a number of British companies, including Camelot, The Body Shop, Traidcraft, The Co-operative Wholesale Society, Ben and Jerry's, as well as a number of voluntary and international public organizations.

Based on the experience of these organizations, in 1996, NEF contributed to the establishment of the Institute of Social and Ethical Accountability (ISEA), which has become one of the leading international professional organizations, spreading ideas of increasing social responsibility and ethical behavior of business and non-profit

organizations. ISEA develops accreditation standards and procedures for professional accountants and auditors specifically taking into account the above issues. In 1999, the first ISEA social responsibility standard, The Accountability standard 1000 (AA1000), was introduced, related to the implementation of social and ethical accounting. This standard was intended to measure the performance of companies from an ethical perspective, to increase the transparency and quality of the company by engaging agents associated with it. It describes the procedure and a set of criteria by which social and ethical audit of the activities of companies can be performed.

The introduction of social accounting and reporting standards has led to a gradual increase in the number of companies that compiled and published their performance in the form of a social report. The first such company was the British company Traidcraft, which in 1993 was the first to publish a social report. And now social accounting is a widespread practice among large UK companies. Companies such as Royal Dutch Shell, BP, British Telecom, The Co-operative Bank, The Body Shop and United Utilities publish independent reports audited by independent auditors.

The main areas of social accounting and control are presented in Figure 2.



**Fig. 2. Areas of social accounting and control at the enterprise**

*Source: systematized by authors using [9]*

Based on the experience of other countries, it is possible to determine a priority path for the development of social responsibility of our country's economy.

## **2. Prospects of introduction of social accounting and reporting in the agrarian sector of Ukraine**

Agricultural enterprises have limited ability to maintain only a financial accounting model. We propose to evaluate the priorities that farms achieve with three objectives at once: commercial, social and environmental. It is in the case of the introduction and active development of social accounting (non-financial) that the enterprise discovers new opportunities. Maintaining social accounting at the enterprise allows you to give an objective assessment of processes that are not subject to financial accounting, but no less actively affect the final result of activities.

The relevance of the implementation of social accounting and reporting lies in the perspective that arises for the enterprise, for example, to competitors, customers, consumers and potential sponsors. Social accounting includes: accounting for social responsibility (accounting for individual factors of social significance); accounting for total impact (assessment of the total costs of enterprises); socio-economic accounting (evaluation of projects financed by the company using financial and non-financial indicators that are measurable, but have a great public resonance); accounting for social indicators (long-term non-financial quantitative socio-statistical assessment); public accounting (attempts to build accounting on a global scale), which links all types of social accounting.

We conducted a survey of the leadership and individual employees of almost 40 agricultural enterprises in Mykolaiv region, in the areas of social activity that they conduct. For a number of these positions, social accounting is combined with statistical accounting, which studies, monitors and generalizes mass phenomena and processes of reproduction of material goods and social relations in the farms. In our opinion, any business company, objectively evaluating its role and mission, in the process of its formation and development should move up the stairs or levels of business social responsibility from the lowest (base) to the highest. At what level does it focus its main attention - it depends both on the specifics of the business structure itself and on the specifics of the system of stakeholders. The latter includes consumers, owners, workers, suppliers, competitors, government, local communities and society as a whole.

Each of the interested parties, in turn, presents business with economic, legal, ethical and philanthropic expectations, corresponding to the "pyramid" of social responsibility of the business. A. Carroll suggested analyzing corporate social responsibility (hereinafter CSR) using a matrix which reflects the system of "responsibilities" of the company in relation to the relevant expectations of stakeholders, thereby providing the model with a complete form. Based on the research data of expert and consumer opinions and assessments, we filled in the table proposed by A. Carroll, designing it for the studied agricultural enterprises of Mykolaiv region. (Table 1).

**Table 1. The matrix of stakeholders and levels of corporate social responsibility of the studied agricultural enterprises of Mykolaiv region**

Stakeholders	Levels of corporate social responsibility			
	Economic	Legal	Ethical	Philanthropic
Owners	5	4	5	3
Workers	4	4	5	4
Consumers	3	4	3	4
Local community	5	4	3	3

*Source: created and organized by the authors according to [10] and questionnaire.*

Economic responsibility is directly determined by the basic function of the company in the market as a manufacturer of goods and services that can satisfy the needs of consumers and, accordingly, have benefits. In other words, any business structure that realizes its economic responsibility to society is socially responsible. Legal responsibility implies the need for the legitimacy of business in a market economy, the compliance of its activities with the expectations of society, fixed in legal norms.

Ethical responsibility, in turn, requires the business community to be consonant with the expectations of society, which are not specified in legal norms, but based on existing moral standards. Philanthropic (discretionary) responsibility encourages business to take actions aimed at supporting and developing the welfare of society through voluntary participation in the implementation of social programs. Of course, the interpretation of CSR as a "pyramid" in itself does not remove all issues related to social responsibility, but allows them to be systematized to a certain extent. In our opinion, the considered level reflects most the functions of CSR.

Accounting data are the main source of open information for the formation of indicators of social reporting. It should be decided which business transactions to be reflected in accounting as socially significant. So, the strategic goals defined by the management will be reflected in the accounting policies of the enterprise. It is important to determine the degree of "social significance". For example, the modernization of fixed assets for environmental protection at the same time indicates a responsible attitude to the environmental safety of the business and reduce the economic costs of environmental management, and also plays a role in the perception of the enterprise in the eyes of local authorities. According to our example, the business operation "modernization of fixed assets for environmental protection" is directly related to the formation of indicators of corporate social reporting that characterize the results of economic sustainability (cost reduction), environmental safety (rational use of natural resources), and indirect attitude to social indicators (social partnership with local authorities).

The analytical capabilities of the current Chart of Accounts make it possible to reveal the social aspect of accounting for business transactions. In particular, capital expenditures associated with the construction and acquisition of fixed assets for environmental purposes - treatment facilities, filters and other similar fixed assets. As well as the running costs associated with the maintenance and operation of fixed assets and inventory of environmental and ecological uses aimed at cleaning water, air pools, eliminating noise, harmful radiation, vibration and pollution, should be considered separately. To account these costs, it may be recommended to open additional accounts with the chart of accounts operating at the enterprise. For example, account 29 "Current expenses for the maintenance and operation of environmental measures", which, in our opinion, can correspond with account 23 "Production". Such expenses as expenses for the reception, storage or disposal of environmentally hazardous waste can be accounted in such an additional account with the current chart of accounts at the enterprise as a free account 29/1 (of the same name). And the costs of land restoration are subject to accounting on account 39 "Deferred expenses".

In our opinion, the following expenses accepted for offsetting for social reporting should be taken into account in the free accounts of the current Chart of Accounts: expenses for the protection of flora and fauna and the preservation of natural landscapes; pension allowances and lump-sum benefits to those who retire, labor veterans; payment of vouchers for treatment or rest, excursions or travel, classes in sports sections, camps and clubs, visits

to cultural, entertainment or physical education events; contributions to fundamental research funds, Fund for the Promotion of the Development of Small Forms of Enterprises in the Scientific and Technical Sphere, to other sectoral and intersectoral funds; charitable and sponsorship contributions to social programs of the company.

The positions of social accounting should be disclosed in the annexes to the financial statements, while the degree of disclosure of information is determined by each organization independently. This is especially important when you consider the fact that corporate social reporting in accordance with the GRI standard can be presented to users with a frequency that exceeds annual. The positions of social accounting should be disclosed in the annexes to the financial statements, while the degree of disclosure of information is determined by each organization independently. This is especially important when you consider the fact that corporate social reporting in accordance with the GRI standard can be presented to users with a frequency that exceeds annual.

The objects of social accounting are expenditures on ecology, human activity evaluation, intellectual capital, value-added distribution.

Social accounting and reporting primarily reveal the social and environmental effects of the enterprise. As a rule, a social report contains information on personnel management, labor protection and safety measures, risk and product quality management, environmental protection, interaction with stakeholders, and ethics.

Thus, the financial accounting of social activity is the process of generating systematic, useful data, which allows you to expand the traditional boundaries of accounting in order to prepare financial statements characterizing the activities of an economic entity aimed at solving social and environmental problems.

In order to systematize the data of financial accounting of social activity, an appropriate section should be added to the Accounting policy of the organization - "Financial accounting of social activity". The integration of social accounting into financial accounting will allow supplementing the financial reporting with data on social activity useful to a wide range of users.

The cycle of accounting for social activities as well as general accounting, accounting is an algorithm for obtaining statements based on primary data, consisting of several successive steps. We analyze the disclosure of financial indicators in the social reporting of the leading agricultural holdings in Ukraine (Table 2). So, social reporting among agricultural holdings in Ukraine takes the form of a company report, where the text part exceeds the numerical one. The provision of general information without indicating quantitative and cost indicators makes it impossible to carry out a comprehensive assessment of the company and determine the effect of the implementation of social events. That is why, when compiling social reports in free form, Ukrainian companies focus the attention of interested users on those areas of their social activities in which positive results have been achieved.



**Table 2. Comparative characteristics of disclosure of financial indicators in the social reporting of leading Ukrainian agricultural holdings, 2019**

Enterprise	Financial indicators in social reporting					
	Labor costs	Labor protection and safety costs in the workplace	Employee training costs	Environmental costs	Costs for assurance of consumer rights	Social expenses
Limited Liability Company Agricultural Enterprise «Nibulon»	+	+	+	+	+	+
Agrofusion	+,- *	+,- *	+,- *	+	+	+
Limited Liability Company «Myronivskiy Khibprodukt»	+	+	+	-	+	+
Limited Liability Company «Kernel-Trade»	+,- *	+,- *	+	+	+	+
Agroprosperis (NCH)	+,- *	+,- *	+	+,- *	+,- *	+
Agricultural holding «Mriia»	+,- *	+,- *	-	+,- *	+	+

Note: \*- is descriptive

Source: systematized by authors

The results of the analysis of the disclosure of financial indicators in the social reporting of leading Ukrainian companies confirm the need for constant and full reflection in the relevant reporting forms (both financial and social) of the results and consequences of the interaction of the enterprise and society. It is important to note that the main place in social reporting should be occupied by indicators of social responsibility; they do not find their independent reflection in the financial statements.

In turn, the complexity of the relationship between financial and non-financial indicators is due to the fact that informing society by enterprises should occur not only in the context of economic results achieved, but also in the context of strategic economic, social and environmental plans and forecasts. As a result, there is a need for unification and regulation of the procedure for displaying information in reports (financial and social), as well as the relationship of financial and non-financial indicators.

### Conclusions.

The study of the evolution of accounting allowed us to draw conclusions about the need to focus on the relatively new concepts of "social accounting" and "non-financial reporting" for Ukrainian enterprises. It has been established that in the conditions of integration processes in the economy, before an enterprise planning a successful future, there arise a question of concentrating efforts on social factors both inside and outside.

It has been studied that indicators of social reporting satisfy the interests of interested groups, in particular: owners - evaluate the effectiveness of social projects; managers - strategically plan to reduce costs; investors - analyze all risks and opportunities; counterparties - form an idea of the social responsibility of the enterprise; governments - the possibility of providing social benefits; community and society - receiving information on the contribution of the enterprise to improving the level and quality of life of the local community.

In foreign countries, the most common forms of non-financial report are: Progress Report (on the implementation of the principles of the UN Global Compact) - is drawn only by member companies of the UN Global Compact; Sustainable Development Reporting - contains clear indicators about the company's activities (audit is possible); Corporate Responsibility Reporting - based on dialogue with stakeholders; Environmental Management and Auditing Scheme – is founded in accordance with the EU Regulation on Environmental Management and Auditing. The main areas of social accounting are: social support of staff, environmental protection, honest business, charity and volunteering.

We propose to take into account certain outlined expenses accepted for offsetting from social reporting on free accounts of the current Chart of Accounts. The concept of "financial accounting of social activity" has been studied as a process of creating systematic, useful data that allows you to expand the traditional boundaries of accounting in order to prepare financial statements that characterize the activities of an economic entity aimed at solving social and environmental problems. In order to systematize the data of financial accounting of social activity in the Accounting policies of the organization, we propose to add the appropriate section "Financial accounting of social activity". With the introduction of socially responsible company behavior, social accounting positions should be introduced in Accounting policies. The implementation of social activities by the relevant company should lead to an increase in the economic indicators of its activities. Consequently, there is a need, together with the expenses for social initiatives, to reflect the economic benefits that the company expects to receive as a result of their implementation in the accounting system.

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