Corporate Social Responsibility and International Accounting

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Abstract
Authors Nikolaou, Evangelinos, Moser, Martin, Calafell, Gutierrez, and Antonio examine and explain critical theory, stakeholder theory, contractual theory, and economic theory as the framework of international accounting and the impact on Corporate Social Responsibility (CSR) efforts. These theories are significant in the overall development of accounting standards and financial reporting standards. Corporate Social Responsibility and accounting methods have a serious impact on the way individuals understand the relationship between organizations and society. These authors are considered to be pioneers in research of this subject matter and experts in explaining impacts of CSR activities and related theories. The depth section of this paper consists of an annotated bibliography and a literature review of current articles on Corporate Social Responsibility and accounting concepts. The application section of this paper consists of a historical observation of international accounting standards and international financial reporting standards, as there is a current convergence of these two concepts.

THEORIES OF SOCIAL CHANGE

In this essay, I will critically and comparatively examine the social change in accounting with respect to corporate social responsibility. In addition to the examination of social change in accounting, I will focus on key elements that contribute to this change from individuals, communities, governments, and organizations. Within this component, I will analyze the philosophies of authors Nikolaou, Evangelinos, Moser, Martin, Calafell, Gutierrez, and Antonio, among others, in relation to the change in social responsibility with accounting methods.

Classical Theories of Social Change and Accounting

Corporate Social Responsibility (CSR) has been a major element in contemporary business since 1953 when author Bowen had written *Social Responsibilities of the Businessmen*, where the author identified that businesses are responsible for the society (Bowen, 1953). This concept meant that the organization is held accountable for the betterment of society or within the community that the organization is involved. The relationship between company and community became critical for the betterment of both the company and community whereas the employees of the company live in the community and the better the company does, the better the community does. With the development of CSR, new theories within business and accounting have been created and evolved into concepts.

In 1973, author Davis made arguments in *A Case for and Against Business Assumption of Social Responsibilities* where the author provides supporting and opposing viewpoints of Corporate Social Responsibility activities during that time period. With support for CSR activities, author Davis (1973) stated that CSR has a long-run self-interest where the organization accomplishes activities for the betterment of society in an effort to be profitable in the long-term perspective (Davis, p. 313, 1973). This long-term theory of profitability is important for society whereas the organization provides stability for the society. The relationship between organizations and society is self-sustained if both share a mutual understanding of profitability in a long-term span of time.

Another supportive theory for CSR activities is the development of a positive public image where the organization is involved with CSR activities that reflect a positive image of the organization, which is a positive reflection of the society because the employees of the organization live in the society (Davis, p. 313, 1973). The concept of public image is important for both the organization and the public. In addition to public image, the theory of validity of business is correlated with the CSR activities an

organization is actively engaged in whereas the business is in existence because of society and the business meets the needs of society (Davis, p. 314, 1973). Validity of business is the correlation with the existence of an organization because the organization serves the needs of the respective society. If the society were not to have a need to be fulfilled, the organization would not be in existence within this theory. Another supportive theory of CSR activities is sociocultural norms where the organization operates under a set of cultural regulations in the same way that an individual within society operates (Davis, p. 315, 1973). This theory of sociocultural norms is another level of the relationship between the organization and society that is important to the coexistence of an organization and its respective society.

Organizations have resources that could provide for the betterment of society such as physical assets and other resources is another theory in the support for Corporate Social Responsibility (CSR) activities (Davis, p. 316, 1973). In this theory, the application of an organization's resources can be applied to resolve an issue within society. This approach strengthens the need for CSR activities and provides support from the society for these activities. The existence of an organization would not be possible without the organization fulfilling a need of society. An organization can fulfill a need of society through the use of resources that the organization has at its disposal.

Authors Nikolaou and Evangelinos (2010) commented on critical theory, stakeholder theory, contractual theory, and economic theory as they relate to socio-economical impacts on society. In this article, critical theory is identified as how society is impacted by accounting methods. Critical theory originated from literary criticism whereas the authors critically analyzed literature through an intensive literature review. Stakeholder theory is the evaluation of ethical and behavioral activities of management and organizational leaders. The ethical and behavioral activities are correlated with Corporate Social Responsibility (CSR) where financial and non-financial data is transparent to stakeholders.

Critical theory is a critique of society and culture as it is applied to sociological systems such as accounting. Critical accounting research is a method of research used to overcome the limitations of mainstream accounting research and interpretive accounting research (Smyth, 2011). Critical theory is a classical approach to critiquing accounting research and literature in an effort to validate and quantify solid research efforts. Critical accounting research is a theory of challenging the status quo and social change relationship methods (Smyth, 2011). The analysis in a critical form of literature review in accounting results in solidified methods and approaches within accounting as new methods are developed. In addition to critical theory, contractual theory is also identified within a similar context.

Calafell, Gutierrez, and Antonio (2006) examine the classical viewpoint or contractual theory of a limited company by means of contract and how the company answers to its shareholders (Calafell, Gutierrez, and Antonio, 2006, p. 126). This contractual theory is directly correlated with Corporate Social Responsibility whereas the interest of the company correlates between the individuals and the communities of which it is involved. Contractual theory has a shift from solely reporting accounting information to owners to all stakeholders involved, which includes the communities and individuals the company impacts (Calafell, Gutierrez, and Antonio, 2006, p. 126). The logic behind releasing this information to all stakeholders is to allow individuals to draw their own conclusions based on all information provided.

Contractual theory function of accounting deals specifically with conflicts between stakeholders such as shareholders and owners (Calafell, Gutierrez, and Antonio, 2006, p. 128). Conflicts of interest between individual stakeholders are also directly correlated to Corporate Social Responsibility. In relation to the matching principle of accounting, contractual theory controls the relationship with the organization and society in relation to matching income with related costs (Calafell, Gutierrez, and Antonio, p. 128, 2006).

Adam Smith developed the original economic theory in 1776 with his book *Wealth of Nations*, where the author described economic theory as a freedom of individuals to conduct transactions in an economic capacity such as the exchange of monetary value for goods or the exchange of work for goods. This theory has evolved several times throughout history however; the context of a transaction remained the same. In present day, economic theory is the concept of research within economics to resolve known issues in economics and to promote the further development of economics research. This theory is very important for stakeholders of an organization because there are several issues within economics that need resolution for the further development and understanding of corporate financial reports.

Stakeholder theory is a theory of organization and ethics of an organization that addresses morals and values of executive management. The stakeholders of an organization are not only shareholders but also include but are not limited to government, other organizations, society, the local environment, economy, and other aspects influenced and affected by the organization. The stakeholder theory encourages individuals to think beyond the scope of relationship level to view the entire network of connections that are affected by the decisions made by the organization. In addition to values, stakeholder theory was initially designed to create value of the stakeholders themselves in an effort to bring stakeholders together in an effort to support the longevity of a firm (Minoja, p. 67, 2012). Within stakeholder theory, author Minoja (2012) has identified a correlation between stakeholder theory and strategic management to develop the stakeholder management theory.

Stakeholder management theory is composed of a conceptual framework that integrates strategic management choices into stakeholder management decisions, advances theory on integration of ethics and strategic management, and attempts to develop a dynamic approach to stakeholder management (Minoja, p. 68, 2012). Creating value of the stakeholders themselves by maintaining interaction between the decision-making process of the organization and the stakeholders that support the organization develops stakeholder management decisions. The perceived value promotes positive social change within the organization and the community involved because the perceived value constitutes positive thought and perception of the organization.

Advancement on the concept of the integration of ethics and strategic management within stakeholder management theory is critical to the theory whereas stakeholders understand the moral dimension of every decision (Minoja, p. 77, 2012). Integration of ethics and strategic management is correlated with Corporate Social Responsibility whereas ethics are considered when making corporate decisions. In the attempt to develop a dynamic approach to stakeholder management, author Minoja (2012) observes previous literature on the need for the development of integration between stakeholder management and business strategy (p. 79). Such integration would promote the support from stakeholders for corporate decisions that relate to the strategy and direction of the organization. Author Minoja (2012) also recognized the development of a dynamic approach for stakeholder and management responsibility (p. 79), which is correlated with Corporate Social Responsibility (CSR) activities.

Corporate Social Responsibility (CSR) theories include instrumental theories, political theories, integrative theories, and ethical theories. CSR instrumental theories are where the corporation is the sole means of wealth creation for the organization and revenue is not generated by any other means (Garriga, Mele, p. 51, 2004). Instrumental theories of Corporate Social Responsibility is that the corporation is considered to be an instrument of wealth generation and that is its sole purpose and responsibility for the society. In correlation to Corporate Social Responsibility efforts, the generation of this wealth is reinvested in the community and there is no realized corporate profit.

Political theories involve the power a corporation has within society and the influence the corporation has within the political area (Garriga, Mele, p. 51, 2004). In this theory, a corporation has social power and has the ability to influence society as a whole entity. This social power provides the

corporation with the ability to actively engage in social cooperation through social duties and rights of the corporation. The corporation positively influences the society through its social power and is a direct result of collective power from society. Political involvement may be direct or indirect whereas an organization may elect to support a specific political party or candidate in an election in an effort to gain social recognition or to improve the overall value of an organization through raising its reputation. In political involvement, an organization could support a local, state, or federal government or government agency in monetary or non-monetary incentives. This action is observed through union activities and through special interest groups.

Integrative theories of an organization are where the organization is solely focused on the satisfaction of social demands (Garriga, Mele, p. 51, 2004). The integration of social demands into the needs and operations of the corporation is considered to be an integrative theory. Based on the argument that business is dependent on the success of society, the business should incorporate society's needs for the betterment of society and in turn the business. As an organization integrates the needs of society into its operations, the organization must consider methods to resolve issues within society.

Ethical theories of an organization are focused on the Corporate Social Responsibility (CSR) activities (Garriga, Mele, p. 51, 2004). Both society and organizations are concerned over integrity and ethical issues involving society and organizations. With the consideration that both the organization and society face ethical dilemmas or situations, both must proactively work together to ensure integrity and be ethical in nature. Ethical engagement from both society and an organization are critical for the guarantee that all CSR activities are ethical. The theories of ethics in CSR activities also encompass the ethical responsibility that an organization has for the natural environment. Proper recycling efforts and efforts to combat emissions within the natural environment is a responsibility of most publically traded companies. In nations where publically traded companies are listed on stock exchanges, these companies are required to provide environmental reports to the governing agencies.

Social Responsibility Accounting Methods

Authors Nikolaou and Evangelinos relate to business and societies whereas businesses should contribute to the functioning of society (Nikolaou, Evengelinos, 2010). Businesses contribute to society not only by providing employment opportunities to individuals within the local society, but also by providing taxes to the local, state, and federal economies. There has been many changes in the past that have influenced the demand for businesses to consider strategies in implementing social responsibility and social change with respect to society and the environment (Nikolaou, Evengelinos, 2010). Because of the demand for social responsibility within businesses, there has been a significant shift in the focus of accounting methods. The shift has been from a focus on specific stakeholders such as shareholders, management, and other monetary-related parties to non-monetary related parties such as Non-Governmental Organizations (NGOs), and social and environmental stakeholders (Nikolaou, Evengelinos, 2010). The aim of this shift in stakeholders is to provide society with an understandable format of reporting in relation to financial risk of an organization as it relates to environmental and social issues.

Nikoalou and Evangelinos emphasize that the units of measurements for information is one-dimensional whereas environmental information is expressed as financial and non-financial information as it relates to socio-environmental and general strategic management planning (Nikoalou, Evengelinos, 2010). The reported financial and non-financial information directly influences how individual stakeholders make decisions. These decisions include but are not limited to strategic management, leadership, investments, relationships, and sustainability. As information is disclosed, it is important to consider both financial and non-financial information for decision-making. If a stakeholder only considers financial or non-financial information for making a decision, they are making a decision based on only one aspect of an organization. However, by using a mixed method of reporting information

through financial and non-financial reports, the information that is reported is vague and distorted which affects reliability and transparency between businesses and society (Nikoalou, Evengelinos, 2010).

Authors Moser and Martin (2012) mentioned, Corporate Social Responsibility (CSR) has had a significant impact on the accounting valuation of a firm (Moser, Martin, 2012, p. 797). Corporate Social Responsibility has significant meaning where an organization "gives back" to the community in either a financial or non-financial form. An example of a financial form is where an organization makes charitable contributions to boost a local economy or cause. In a non-financial example, an organization contributes employees to clean a local park or plant trees in a local neighborhood. Corporate Social Responsibility is when a corporation acts responsibly within society, as its name implies.

Corporate Social Responsibility is, in many cases, a positive way for a corporation to create a positive impact on society, and in turn, positive investments are returned to the corporation, which raises the value of the organization. However, Corporate Social Responsibility can have a negative implication on the accounting valuation of an organization because CSR activities are done at the expense of the stakeholders where the cost of the CSR activities exceeds the benefits of stakeholders (Moser, Martin, 2012, pp. 798-799). This negative valuation based on the expense of the individual stakeholders is because organizations shift the focus on the society and away from the individual stakeholders who stand to maintain a financial gain from the organization's success. In contrast, as an organization focuses in CSR activities, the organization appeals to a wide array of stakeholders, which can provide greater valuation of information (Moser, Martin, 2012, p. 798).

Motives behind Corporate Social Responsibility activities may not be explicitly mentioned by organizations because of the implications that could result from their motives. CSR motives demonstrate a direct correlation between earnings management and additional CSR activities whereas corporations that engage in more CSR responsibilities tend to have less earnings management (Moser, Martin, 2012, p. 800). Motives of CSR activities may include financial and non-financial reasons. Financial motives would include additional income as a direct result of CSR activities and non-financial motives could include political incentives. Political incentives such as an organization supporting a governmental political party or other non-monetary support for legislation. This correlation indicates that corporations that are involved in Corporate Social Responsibility are catering to non-shareholders who may be constituents that contribute to the organization indirectly or by other means (Moser, Martin, 2012, p. 804). In this correlation, the CSR activities that an organization is involved with can be reciprocated and the organization would benefit from these activities.

In addition to Corporate Social Responsibility activities, the use of independent auditors assists in the security of stakeholder interest (Gerde, White, p. 84, 2003). Independent auditors are necessary for providing the investing stakeholders with impartial financial information. Providing the investing stakeholders with impartial financial information has become a major part of the Securities Exchange Commission (SEC) in the 1930's with laws requiring financial information to be reported by independent auditors to public investors (Gerde, White, p. 86, 2003). Impartial financial information is important for potential investors because the information is unbiased as it is presented. For investors, this impartial information is critical because it allows investors to make an informed decision for investment purposes.

Authors Calafell, Gutierrez, and Antonio (2006) mentioned, the relationship between businesses and societies is based on Corporate Social Responsibility, where the organization is responsible for financial and non-financial reporting of information to stakeholders and non- stakeholders (Calafell, Gutierrez, and Antonio, 2006, p. 125). Organizations are taking financial, social, and environmental factors into consideration when reporting information that impacts both organization stakeholders and non-stakeholders such as employees, Non-Government Organizations (NGOs), local citizens, local government, and politicians. Financial reporting directly relates to the overall financial performance of an organization.

Types of financial documents include but are not limited to Profit and Loss Statements, Balance Sheet, Statement of Cash Flows, Quarterly Reports, and Annual Reports. Non-Financial documents include but are not limited to corporate community activity, corporate sustainability, assurance, and Corporate Social Responsibility reports. The purpose of a profit and loss statement is to provide investors and stakeholders with an account of the organizations revenues and expenses for a specified period of time. In a balance sheet, stakeholders can identify the current financial condition of an organization with respect to assets, liabilities, and owners' equity. With respect to a statement of cash flows, a stakeholder can identify changes in cash on hand used for financing activities, operations, and investment activities. Quarterly and annual reports are a compilation of financial reports for stakeholders at a quarterly and annual basis. The importance of these reports is to provide stakeholders with financial information, which depicts the overall financial performance of an organization.

One Corporate Social Responsibility hypothesis mentioned by authors Calafell, Gutierrez, and Antonio, is that "one cannot observe, at least in its fullest and trust sense, accounting's matching principle (Calafell, Gutierrez, and Antonio, 2006, p. 127)." The matching principle is an accounting principle where revenue and expenses are recognized. An example of the matching principle is matching revenue gained from the sale of goods and the cost of those goods sold are matched to the expense, or cost, of those goods sold. The matching principle is tied into Corporate Social Responsibility whereas the expenses related to social responsibility activities a business is involved with are properly accounted by the expenses being matched to that specific activity (Calafell, Gutierrez, and Antonio, 2006, p. 127). Matching an expense with a specific activity such as a CSR activity is important for stakeholders and potential investors of an organization.

Empirical Accounting method, which utilizes various accounting methods and company valuation comparisons, are used to measure a correlation between Corporate Social Responsibility activities and earnings management (Moser, Martin, 2012, p. 800). As before-mentioned, organizations that contribute additional Corporate Social Responsibility activities, there is a lower earnings management. The empirical accounting method results in contradictory results based on the CSR and earnings management correlation. Valuation comparisons and the use of accounting methods to measure CSR activities and earnings management as they are correlated is important for an organization to determine the overall sacrifice that stakeholders take when the organization acts on CSR activities for the overall betterment of society.

Accounting methods such as Generally Accepted Accounting Principles (GAAP) and informal accounting methods on business needs and stakeholders are very important in completing accounting objectives of an organization (Nikolaou, Evengelinos, 2010). Generally Accepted Accounting Principles are specific accounting guidelines that have been adopted by many companies and is enforced by government agencies such as the Securities Exchange Commission for reporting financial information, especially information that impacts decisions made by stakeholders. Informal accounting methods can display skewed or targeted information where the information displayed does not depict the entire financial situation of an organization.

Social Environmental Accounting Research (SEAR) is a literature review and set of studies that consists of top accounting journals and issues with respect to Corporate Social Responsibility and stakeholder issues (Eugenio, Isabel, Ana, 2010). SEAR information is categorized into groups called social and environmental disclosures, regulation impact, social and environmental accounting, and relation to environmental disclosure and environmental performance (Eugenio, Isabel, Ana, 2010). Social and environmental disclosures include financial and non-financial information of an organization that are released to stakeholders of the organization. In addition to stakeholders, the society and local community also have access to the same information. Regulation impact of accounting in social and environmental behavior is the examination of accounting regulations and the impact on social and environmental factors of organizations. Social and environmental disclosures are the analysis of social

and environmental reporting on multiple levels (Eugenio, Isabel, Ana, 2010). Social and environmental accounting involves the creation and reporting of information as it pertains to the society and environment. This information can be very important to an organization to identify potential investors within the local environment. The relationship between environmental disclosure and environmental performance is the analysis of environmental information as it relates to companies performance. This relationship and information is critical to Corporate Social Responsibility and the relationship between an organization and stakeholders.

Corporate sustainability is directly correlated with Corporate Social Responsibility (CSR) activities whereas the organization maintains sustainability by providing stakeholders with financial and non-financial information. Sustainability reporting is important for stakeholders and management of organizations as the balance is maintained between the organization and the environment and community (Christofi, Christofi, and Sisaye, 2012). Corporate sustainability reporting involves financial and non-financial reporting to stakeholders such as investors, local community, governments, and society. Social responsibility is a major part of corporate sustainability where the organization reacts to social and environmental needs such as responses to natural disasters and organizational scandals (Christofi, Christofi, and Sisaye, 2012). In addition to natural disasters and scandals, social responsibility also incorporates other needs of the society such as corporate reinvestment in the local workforce.

Theoretical Prospectus of Authors Ioannis Nikolaou and Konstatinos Evangelinos

Authors Nikolaou and Evangelinos (2010), examine the stakeholder and social contract theories. Stakeholder theory is the Corporate Social Responsibility (CSR), of an organization to display financial and non-financial corporate information for stakeholders. Financial information includes but is not limited to Profit and Loss statements, Statement of Cash Flows, Income Statements, other financial activity statements such as quarterly and annual reports. Non-financial data includes but is not limited to volunteer work, donations to charitable organizations, and other CSR activities. There is a great importance for these financial reports to be transparent without masking of information. Transparency in financial reports is critical for stakeholders and other interested parties to make informed decisions. Corporate Social Responsibility involves related theories whereas CSR was created for the sole purpose of creating more wealth for an organization where there is a monetary motivation. Monetary motivation of CSR is where the organization could make decisions for stakeholders and the stakeholders make contributions to the organization. The second theory of CSR is social power of the organization where the organization has a larger stake in the society. Social power involves the organization having a major influence over the society. Similar to political power, social power provides an organization with the ability to influence members of a society to make decisions based on the actions of an organization. These actions taken are CSR activities for the betterment of society and the betterment of the organization. As before mentioned, CSR activities that result in the betterment of society will ultimately in turn result in the betterment of the organization.

Social contract theory is the prospectus of individual manager’s moral obligations are dependent on the agreement between the organization and society. The theory of social contract is compelling whereas the organization is obligated to actively promote society through the fulfillment of the needs of society. The needs of society vary from one society to another however, the needs are similar whereas goods or services are sold or provided to the society for the overall betterment of society. Moral obligations of managers include their duty to provide financial data to stakeholders in an unbiased and transparent way. Unbiased information means that the financial information provided to stakeholders is not skewed toward the favor of investing or not investing based on the information and there is no omission of information. Transparent information means that the financial information has not been manipulated and is in original form. However, management may interpret financial data and provide stakeholders with highly opinionated information based on their prospectus of the financial information.

Theoretical Prospectus of Authors Donald Moser and Patrick Martin

Authors Moser and Martin (2012), mention economy theory where organizations participate in Corporate Social Responsibility (CSR) activities for the betterment of the socio-economical condition. The betterment of the socio-economical condition is the financial improvement of individuals that compose the society. Another aspect of economy theory is when the organization makes investments to benefit the society and sacrificing stakeholder value in the process (Moser, Martin, p. 797, 2012). . Organizations engage in CSR activities for the overall betterment of society but also in self-interest for the betterment of the organization. When an organization is engaged in a CSR activity where the organization makes monetary or non-monetary investments into society at the sacrifice of the stakeholders, then the organization is engaged in true CSR activities. The overwhelming majority of organizations engage in CSR activities for the overall financial benefit of the organizations stakeholders and not for the society. Moser and martin (2012), indicate that organizations CSR activities may be at the expanse of stakeholders whereas the organization becomes significantly involved with the society and is significantly transparent with financial and non-financial accounting.

When an organization engages in CSR activities, if it is at the expense of stakeholders, the reference is the actual cost of CSR activities (Moser, Martin, p. 798, 2012). The actual cost of CSR activities varies dependent on the actual investment of time and money invested. In reporting these CSR activity expenses, the organization posts the financial or non-financial transaction within the transactions respective ledger. The record of the CSR transaction should be transparent and available for viewing within a publically traded company by stakeholders and all interested parties. In the United States, this information should be included and on file with the Securities Exchange Commission.

Corporate Social Responsibility activities are typically performed respond to the needs or demands of a broad society (Moser, Martin, p. 798, 2012). The organization would not exist if the society did not have needs to be fulfilled and the society would not support the organization if there were no employment opportunities to be filled. An organizations responsibility to society is to fulfill the needs of society by providing the society with the sale of goods or services. When an organization participates is CSR activities at the sacrifice of its stakeholders, then the organization is engaging in CSR activities for the sole purpose of the betterment of society. Corporations intentionally participate in CSR activities to boost their image in society and for other motives such as investments. There has been a dynamic shift in CSR activities from the focus on the overall betterment of society at the sacrifice of stakeholders to the betterment of stakeholders and the organization.

Theoretical Prospectus of Authors Calafell, Gutierrez, and Antonio

Contractual theory of a limited company is the classical theoretical framework whereas the contract is between the corporation and its shareholders (Calafell, Gutierrez, and Antonio, 2006, p. 126). Similar to social contract theory, the organization has obligations to meet for stakeholders that involve both financial performance and overall performance. Obligations that an organization has for its stakeholders include but are not limited to returns on original investments, dividends, political sponsorship, specific employment obligations, and other obligations that may not have been explicitly mentioned.

Relationships between the corporation and shareholders in the context of contractual theory are correlated with Corporate Social Responsibility (CSR) activities where the corporation has a duty to inform stakeholders of all accounting information (Calafell, Gutierrez, and Antonio, 2006, p. 126). Contractual theory and CSR have an implied duty to the organizations stakeholders to provide them with complete and transparent accounting and financial data. This implied duty influences how stakeholders make financial decisions for investing and other activities.

Authors Calafell, Gutierrez, and Antonio (2006), have also mentioned that matching principle, which is an accounting principle, is a CSR hypothesis to explain the correlation between contractual theory and Corporate Social Responsibility (Calafell, Gutierrez, and Antonio, 2006, p. 127). In this study,

matching principle is identified in two separate ways whereas matching principle is used in a socio-economical way to identify CSR activities and match them to related corporate expenses. Another matching principle identification in this study is to demonstrate the relationship between contractual theory, where the organization is providing all information to stakeholders, and the associated costs of contractual theory. Matching principle is where any associated cost is matched to its respective origin, or business activity associated with that cost.

Conclusion

There are many theories and original concepts that compose international accounting and corporate social responsibility. Nikolaou, Evangelinos, Moser, Martin, Calafell, Gutierrez, and Antonio, among others, have reviewed these theories and concepts to provide framework in international accounting and Corporate Social Responsibility. Framework, original concepts, and the linear progression that these two key subjects have displayed through history are involved in the present day convergence of International Accounting Standards and International Financial Reporting Standards. There has been an active movement toward this convergence because of the economic globalization from the exchange of goods and services across borders. Globalization is a driving force for the convergence of International Accounting Standards and International Financial Reporting Standards. This breadth section, which has been composed of several original theories and concepts contributed in great capacity to this convergence.

The theories and concepts discussed in this section have also contributed toward the need of transparency in accounting and financial reports for publically traded companies. In the United States, the Securities Exchange Commission mandates financial transparency within financial reports for potential investors and stakeholders of publically traded companies. However, there are few standards for transparency within financial reports and this lack of standards allows for publically traded companies to dilute financial information within regulation. The concept of transparency has originated from the concepts and theoretical framework discussed in this section and is also directly correlated with Corporate Social Responsibility. This correlation is evident whereas organizations provide financial reports to stakeholders and other interested parties such as the profit and loss statement, statement of cash flows, balance sheet, and other financial reports. Corporate Social Responsibility (CSR) is very important for stakeholders to completely understand financial and non-financial responsibilities of organizations. Stakeholders of an organization include but are not limited to shareholders, governments, non-government organizations, regulation agencies, investors, owners, society, and all other individuals or groups that have a vested interest in an organization. The correlated financial reports that a stakeholder may be interested in viewing would be the statement of cash flows, profit and loss statement, balance sheet, and any related statements. Non-financial statements that may be of interest would include Corporate Social Responsibility (CSR) activity statements, news articles, websites, and any other non-financial information pertaining to an organization that indicates the performance of the organization. As mentioned in the Breadth section, Corporate Social Responsibility is the key theme and is explored further with current research in the Depth section below.

CURRENT RESEARCH IN SOCIAL CHANGE

Literature Review Essay

Corporate Social Responsibility (CSR) activities have been a dominant theme throughout the Breadth and Depth sections of this Knowledge Area Module and will be expressed in the form of a final project in the Application section below. Motives of CSR activities are not always explicitly known whereas motives may not always be in the best intentions of the community. These motives can include but are not limited to monetary incentives for executives and management of an organization.

Alternatively, motives of CSR can be inherently positive for the community whereas the organization performs activities that are beneficial for the community such as reinvestment in the local community and volunteer work. In correlation with CSR activities, ethics of executives and management of international organizations also plays a role within the community. Ethics of international firms as they relate to accounting standards is significantly important for the promotion of positive CSR activities.

Corporate Social Responsibility

Corporate Social Responsibility (CSR) was intentionally formed to promote positive social change within local communities that an organization is involved. Positive social change resulting from CSR activities include elements such as employing individuals from the local community, using local materials for operational activities, and volunteering within the local community to improve the lives of those within the community. Other reasons for the development of CSR have been observed as theories and logic. These other reasons include stakeholder focus where the stakeholder is the central reason for CSR activities, financial incentives for management and stakeholders, non-financial gain from profile recognition, and influence over individuals and governments.

Accounting and finance activities drive CSR activities and not the demand from individual stakeholders is one theory for the development of CSR (Calafell, Gutierrez, and Lopez, 2006). Financial performance of an organization is directly correlated with CSR activities in many cases whereas financial performance promotes CSR activities to boost the profile and encourage growth of company shares. Top-level management executives are typically compensated for the positive financial performance of organizations and CSR activities were inherently positive without the consideration of the organization's reputation. However, there has been a dynamic shift in the motives for CSR activities whereas top-level management executives are now compensated for financial performance and CSR activities (Berrone, Gomez-Mejia, 2009). Since this shift the motives behind CSR activities are more for the stakeholders of the organization and the benefit of top-level management and less about the benefit of the local community. Accounting professionals of these organizations are also responsible for CSR activities because they are directly responsible for the development of financial reports, non-financial reports, and budgeting for CSR activities. All of these reports are then made transparently available for stakeholders to identify how everyone will benefit from the actions of the organization. Stakeholder theory is a major component of the theoretical framework behind this shift in CSR activities from a primary focus of the betterment of society without the consideration of the organization's reputation to a stakeholder focus and the financial betterment of stakeholders. With the consideration of both the betterment of society and the consideration of stakeholders, the organization would be inherently taking the socio-economic dimension into consideration. One major component in understanding the socio-economic dimension as it is correlated to CSR activities is the matching principle.

Matching Principle in accounting is a term used to describe the process in which expenses are matched to revenues in an effort to understand financial and non-financial transaction. In Corporate Social Responsibility activities there are associated expenses related to each activity. The matching principle is used to identify the correlation between each CSR activity and its related expense or revenue earned. A non-financial CSR activity that would be identified by the matching principle is the associated expense to the organization such as labor and overhead to the associated CSR activity. In addition to the matching principle, CSR activities are correlated with other accounting methods such as international accounting.

International accounting is significantly involved with Corporate Social Responsibility activities taken by multi-national corporations. Multi-national organizations that are actively engaged in CSR activities treat CSR transactions in a similar way to their counterparts because the majority of nations have adopted Generally Accepted Accounting Principles from the United States. However, there is a significant difference between nations with respect to international accounting practices and the treatment of CSR activities due to the difference in social systems. Social systems are influenced by

cultural influences that have an impact on accounting as a social system. This affect is correlated with CSR activities whereas the local culture that is involved with a multi-national organization has an impact on how the organization approaches CSR activities. An example of this influence would be the motive of CSR activities which is if the organization if focused on impacting its stakeholders or the betterment of society without the consideration of the organization's reputation.

Global Governance of Corporate Social Responsibility

Political and social domains around the world have an influence on the governance of Corporate Social Responsibility (Banerjee, 2010). Foreign governments, languages, accounting standards, political differences, and regulations from countries around the world have an impact on the governance of Corporate Social Responsibility (CSR) activities that a corporation conducts. Multi-national corporations are influenced by these elements whereas they must interact with several governments and their individual regulation while remaining engaged in CSR activities for the betterment of society and meeting the demands of stakeholders. Languages from around the world are different with respect to translations of financial documents, governance of a corporation, and transitions from one nation to another. These language translations have impacts on the global governance of CSR activities whereas certain activities do not translate the same across borders. Accounting standards are the same for those nations who have adopted Generally Accepted Accounting Principles. However, nations who have not adopted these principles utilize different social accounting systems. These differences in accounting standards have an impact on global governance of CSR activities whereas the process of recording associated revenue and expenses are not universally expressed. Political differences between parties and nations have an impact of CSR activities because political influence from contributions has an impact on corporate activities. Government regulation of CSR activities has an impact on how a corporation can engage in CSR activities and what is and is not permitted. International ethics standards, global institutions, and democratic governance also have a significant impact on Corporate Social Responsibility (CSR) activities and the method in which CSR activities are conducted. Ethical standards such as code of ethics for accounting professionals are universal and considered a component of Generally Accepted Accounting Principles. Global organizations such as the United Nations Global Compact (UNGC), World Business Council for Sustainable Development (WBCSD), International Monetary Fund (IMF), World Bank (WB), and the World Trade Organization (WTO) have all been established to promote global economic growth and the enforce international ethics standards (Banerjee, 2010). These institutions and organizations have led to democratic governance over corporate executives and accountants of multinational non-government organizations. The democratic governance influences on CSR activities have caused organizations to consider the global economy and potential impacts from their CSR activities.

Also influencing ethical standards are monetary incentives and economic performance that clouds the judgment of corporate executives and management in Western civilizations. Monetary incentives are not limited to corporate bonuses, stock options, or even cash because the monetary incentives are influenced by the supply of Corporate Social Responsibility and not the demand (Banerjee, 2010). This is correlated with the before-mentioned shift in focus from a social betterment from CSR activities to a stakeholder focus. Corporate executives and world leaders are taking the ethics in international accounting standards into advisement to shift the focus of CSR activities back to the betterment of society.

Social and Ethical Accounting

Ethical standards in international accounting came about through the introduction of discipline-specific journals dedicated to accounting ethics and an annual accounting ethics symposium, which

affect the level of research on ethics in accounting (Bernardi, Melton, Roberts, Bean, 2008). These two elements developed awareness within corporate culture to act upon ethics in international accounting and to address current issues. This development contributed to an in-depth analysis of Corporate Social Responsibility (CSR) and the shift in focus that had taken place. As before mentioned, there was a shift in focus from the betterment of society to the betterment of the stakeholders. From the recent insight to ethics in international accounting, the attention has been drawn to this shift in focus with an effort to balance the shift between the betterment of society and stakeholders. Executive leadership and political leadership will need to work together in an effort to proactively develop a shift in CSR activities and business ethics to incorporate both the betterment of society and the stakeholders of corporations (Banerjee, 2010).

In recent years there has been a demand for social and environmental sustainability, which ultimately promotes growth of the global economy in a social way. Social sustainability incorporates corporate governance in a way that promotes sustainability to provide future generations with the same if not greater access to existing opportunities (Gray, 2010). Providing a social sustainable environment is critical for the future of the world because there is a great importance to provide opportunities to future generations. Social sustainability is correlated with CSR activities whereas the actions taken by corporations to provide future generations with opportunities in local communities are a way for corporations to provide for the betterment of society. Social sustainability accounting is an important factor for corporate executives to take into consideration when developing CSR activities. The social sustainability accounting is the economic, social, and environmental impact from corporate operations that can be a useful tool in measuring social and environmental risks (Gray, 2010).

Environmental sustainability is also critical for the future of society because the planet in which humans live needs to maintain stability. With environmental sustainability, renewable resources will continue to be renewed and the planet will provide a sustainable environment for human coexistence. Environmental sustainability accounting is an important business process for corporate executives to take into consideration when determining approaches to environmental costs (Gray, 2010). These environmental costs could include raw materials, land, labor, and other associated natural costs that involve nature.

Cultural Influences on International Accounting

Culture is identified as a method of grouping individuals as they are similar to each other through common characteristics, social values, and societal norms (Finch, 2010). Common characteristics include qualities such as geographical region and proximity, nationality, religious practice, and other key identifiers. Social values include the equality, liberty, religion, fairness, freedom, and many more traits related to society. Societal norms include beliefs held by collective groups such as physical and psychological norms deemed by society. Culture of regions around the world varies from one another and these differences have different influences on international systems such as international accounting.

Cultural differences that impact international accounting could include dimensions such as uniformity versus conformity, professionalism versus statutory, and secrets versus transparency (Finch, 2010). Uniformity versus conformity supports the concept of accounting standards that are enforced at the country level because uniformity implements the standards and conformity simply indicates similar behavior and assimilation of companies as they embrace accounting standards on the country level. Professionalism versus statutory dimension indicates that professionalism is enforced ethics standards and statutory enforced regulations on international accounting standards as a result of cultural influences. Secrets as a cultural dimension and an influence on international accounting are the masking of information from corporate stakeholders and transparency is the disclosure of accounting information to stakeholders. These cultural dimensions have a significant impact on the international

accounting standards and cultural influences continue to alter the international accounting standards landscape.

Cultural influences vary from one nation to another that has a significant impact on international accounting for multinational corporations, governments, and other organizations and institutions. The primary difference between nations is the individual cultures within the nation, which dictates the disclosure of financial documents and accounting practices. As discussed in the secrets versus transparency, the disclosure of financial documents to stakeholders is dependent on the culture. With less uncertainty avoidance companies typically disclose more financial information because of this cultural dimension (Finch, 2010). Cultural influences are directly correlated with environmental and sustainability accounting whereas the culture has an impact on the environment which, in turn, has an impact on sustainability.

Environmental and Sustainability Accounting

Environmental accounting is the communication of social and environmental effects of organizations to stakeholders. The process of communication from organizations to stakeholders is identified in environmental accounting whereas the environmental accounting is the process of accounting within the surrounding environment. Environmental accounting and Corporate Social Responsibility (CSR) are directly correlated through reporting and disclosure to stakeholders. Reporting through environmental accounting to stakeholders is expressed in broad terms that are not exclusively expressed in financial terms. The overall purpose of environmental accounting is to provide stakeholders with broadened meaning and definitions beyond the scope of financial reporting to create logic behind the numbers (Gray, 2010). Environmental accounting is correlated with sustainability accounting whereas the communication between organizations and stakeholder are continuous and shares equal balance.

Sustainability accounting encompasses social, environmental, and economic accounting at a balance between the three accounting systems. The sustainability accounting is primarily used for internal decision-making and policy making that affects the organization's overall performance (Gray, 2010). Social accounting is correlated with Corporate Social Responsibility (CSR) where policies and decision-making are centered on the betterment of society and stakeholders and not necessarily focused on monetary or reputational gain for the organization. Environmental accounting encompasses both the natural environment in which the organization impacts and the local environment that is the society impacted by decisions of the organization.

Economic Accounting and the Global Impact

Economic accounting involves the economic activities that the organization has an impact on and the local economy. The globalization of the economy has caused significant change in global markets and the processes in which products are bought and sold. Traditionally, economic systems were local and limited to a specific geographical region where products could only be bought and sold. The growth of commerce had caused globalization of the economy where products are bought and sold internationally and virtually across borders with the advancement of transportation and Internet commercial activity, known as e-commerce. Accounting for the global economy has become inherently complex due to the significant global impact of the economy. Systems of accounting are known as social science systems that evolve with the development of society (Alwan, 2012). As the economy has become globalized, the system of accounting has also become global because the two systems have both evolved to adapt to the growing economy. However, in recent years there have been dramatic impacts that have affected the growth trend and have ultimately led to a global financial crisis. In an effort to solve contemporary issues within the global economy, social systems of accounting have evolved in quality, style, and methods (Alwan, 2012). The overall quality of global accounting has

improved in an effort to understand cause and affect relationships within the global economy. Accounting for the purchase and sale of goods across borders is treated differently than similar transactions in a domestic setting. Accounting styles have also seen significant improvement as they have adapted to their respective regions of the world and their style of accounting while simultaneously integrating Generally Accepted Accounting Principles (GAAP) as used in the United States (Alwan, 2012). Methods of accounting such as international accounting standards and governing organizations have been implemented in nations that have been severely affected by the global financial crises.

Globalization of economies has caused a need for international accounting standards and the internationalization of accounting cultures. Through the globalization, which is now referred to as the global economy, there now exists a need to manage, control, and maintain the global economy through accounting processes and international financial processes. International accounting processes include but are not limited to the globalization of Generally Accepted Accounting Principles (GAAP), International Accounting Standards (IAS), and International Financial Reporting Standards (IFRS). Organizations such as the World Bank (WB), United Nations (UN), and world government organizations are dedicated to the implementation of International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS). When the world achieves the standardization of IAS and IFRS in all nations, global investors, government organizations, and stakeholders will be able to understand transactions to make an informed decision relating to investment decisions and public policy making decisions.

Conclusion

With the global convergence of International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS), Corporate Social Responsibility (CSR) activities will become globalized in standards. These recent evolutions of standards will result inthe betterment of both society and stakeholders with financial report transparency and active community involvement around the world. The Application section of this Knowledge Area Module will further examine the convergence of IAS and IFRS and the betterment of stakeholders and society as a result from this convergence of standards.

PROFESSIONAL PRACTICE IN INTERNATIONAL ACCOUNTING SOCIAL CHANGE

Social changes such as Corporate Social Responsibility (CSR) have had a dramatic impact on international accounting standards as the world continues a convergence of International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS). This convergence has been influenced from the globalization of the world economy and through the promotion of accounting standards from the United States and the European Union with Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS) respectively. Globalization created a demand for international accounting standards because global stakeholders need a uniform standard from one nation to another. This project will examine the impact of social change such as CSR on international accounting standards through the history of IAS and IFRS convergence and globalization efforts.

History of International Accounting Standards

With the emergence of globalization in the 1980’s, International Accounting Standards (IAS) was developed in an effort to create standards surrounding international efforts for recording transactions in a uniform manor. International Accounting Standards are important for identifying transactions of a publically traded company from one nation to another or in the capacity of a multinational organization. In 1991, the International Accounting Standards Committee (IASC) and the United States methodology of Generally Accepted Accounting Principles (GAAP) for recording and reporting financial transactions across borders (Herz, Petrone, p. 632, 2005) had developed a plan. This was an important milestone for the convergence of IAS across nations in an effort to promote global transparency of accounting

standards and financial reports for publically traded organizations. In the 1990's, Australia, Canada, United Kingdom, New Zealand, and the United States joined the IASC as members to represent their nations and collaborate on the standardization of IAS (Herz, Petrone, p. 634, 2005). With these influential nations joining the IASC, other nations soon followed in an effort to keep up with globalization through the further development of IAS. Extensive research began in 1996, in an effort to compare major differences between IAS and Generally Accepted Accounting Principles (GAAP) in the United States (Herz, Petrone, p. 635, 2005). The primary reason behind this research was to discover gaps in methodology and to examine primary differences that may be applicable to other nations. This comparison was also designed to determine which methods, standards, and principles were better to use in the convergence of IAS and GAAP. In 2004, IASC began to develop a timeframe for the full convergence and integration of IAS and GAAP in an effort to develop an improved model of financial reporting (Herz, Petrone, p. 644, 2005).

History of International Financial Reporting Standards

International Financial Reporting Standards (IFRS) was designed to create financial reporting standards on an international level for investors of multi-national organizations and united governments such as the European Union to understand financial activities of organizations. These reporting standards have been in high demand due to the globalization of world markets into a unified commercial system. Due to globalization, the European Union has supported IFRS that forced multinational organizations to use consolidated financial reporting through the International Accounting Standards Board (IASB) (Callao, Ferrer, José, & José, p. 33, 2009). This effort of support was to ensure comparability of financial reporting standards as globalization and harmonization of international accounting standards continues. Prior to 2005, organizations have used country specific accounting methods such as Generally Accepted Accounting Principles (GAAP) in the United States. These varied accounting methods from nation to nation caused inconsistencies in financial reporting for multi-national organizations and those who have conducted business across different nations. This variation of financial reporting standards also caused inconsistencies in reporting to government agencies, stakeholders, and communities within society.

Every nation in the European Union has been using their own form of accounting standards and financial reporting standards such as Generally Accepted Accounting Principles (GAAP). Many nations around the world, including the United States have used both GAAP and International Financial Reporting Standards (IFRS) to provide accounting and financial documents to stakeholders of publically traded organizations. However, there are key reporting differences between GAAP and IFRS, which were not addressed until 1997, with the creation of the International Accounting Standards Board (IASB), and its committee (Stanko, Zeller, p. 29, 2010). In 2007, the United States endorsed IFRS as the reporting standard for foreign nations conducting business with the United States and did not have to convert transactions using GAAP. This movement identified a new emerging standard of financial reporting in the United States. In 2008, the Securities Exchange Commission of the United States proposed a timeframe for theUnited States to move toward incorporating IFRS for organizations in the United States (Stanko, Zeller, p. 32, 2010). The convergence toward IFRS from GAAP will result in changing the methodology for companies reporting financial transactions on the balance sheet, statement of cash flows, inventory, property, plant, equipment, leases, and pensions for all publically traded companies and some private enterprises (Stanko, Zeller, p. 36, 2010).

Application of Social Change on International Accounting Standards

The emergence of globalization and recent efforts of convergence between International Financial Reporting Standards (IFRS) and Generally Accepted Accounting Principles (GAAP) may cause a convergence of Corporate Social Responsibility (CSR) across nations. Most notably, there has been

previous research conducted on this potential convergence of CSR across nations where a comparative study between the United States, United Kingdom, Australia, and Germany has taken place. As mentioned by authors Stephen Chen and Petra Bouvain (2008), there have been several CSR report comparisons between several different organizations in several different nations to understand the primary differences in reporting between countries (Chen, Bouvain, p. 299, 2008). Many nations are not required to report CSR activities and have established reporting standards however, nations that are required and to report CSR activities are exploring the standardization of CSR reporting. In 2003, the United Nations and many organizations around the world have identified the growing importance for developing CSR standardization of reporting (Chen, Bouvain, p. 299, 2008). The theoretical framework used for the initial development of Corporate Social Responsibility (CSR) convergence is the institutional theory. Institutional theory in the context of CSR development is how institutional characteristics such as technology and management are used in opportunities and challenges to gain social legitimacy (Hoffman, 2007). Several organizations, including multinational organizations are openly reporting CSR activities to further understand the opportunities and challenges faced when developing the convergence of CSR reporting (Chen, Bouvain, p. 300, 2008). Through institutional theory and several organizations reporting CSR across different nations, researchers have identified key elements of human rights, labor standards, the environment, and anti-corruption efforts that must be interpreted in CSR reporting standards.

Human rights vary from nation to nation and have some similarities in industrialized nations such as the right to live and be prosperous. Within Corporate Social Responsibility (CSR) reporting activities, the key elements in the human rights examined are child labor, forced or compulsory labor, indigenous rights, and the protection from human rights abuses from various nations (Chen, Bouvain, p. 301, 2008). These are very important areas to examine when developing CSR reporting standards because the protection of human rights and the improvement of human rights within developing nations is a major component of CSR activities for multinational organizations.

Labor standards are critical for examining the standardization of CSR reports whereas collective bargaining, forced or compulsory labor, child labor, and discrimination based on protected classes are factors of CSR activities (Chen, Bouvain, p. 301, 2008). Multinational organizations are actively engaged in efforts to dissolve child labor, remove forced labor or compulsory labor from workplaces, and control discrimination from work based on race, age, sex, sexual orientation, disabilities, or any other classified protected class across nations. Labor standards need to be maintained through collaboration between organizations, governments, and through the standardization of CSR reporting.

The natural environment is another key element of Corporate Social Responsibility (CSR) activities whereas organizations are more conscious of the natural environment and their effects on their surrounding environments. With respect to CSR reporting standards, the concern is over recycled waste and energy, use of natural resources, emissions of greenhouse gases, erosion, and the overall protection of the natural environment (Chen, Bouvain, p. 301, 2008). Reporting of these efforts through CSR reports is of great importance for multinational organizations, governments, and societies to understand the impact that organizations have on the natural environment.

Another key element that is examined within Corporate Social Responsibility (CSR) reports is efforts of anti-corruption. Anti-corruption includes efforts to report the impact of operations on communities, government and organization corruption, the development of public policy, and any anti-competitive behavior (Chen, Bouvain, p. 301, 2008). It is critical for multinational organizations and governments to be actively involved with anti-corruption efforts in an effort to protect stakeholders and communities against corruption such as monopolistic behavior of an organization.

According to the Hauser Center at Harvard University (2013), there are currently 34 nations that require CSR reports (Harvard University, 2013). Upon review of these requirements, there is significant variation between these 34 nations with respect to which organizations are required to report CSR

activities and some nations are location specific for their respective organizations. These nations require organizations to report CSR activities in different capacities based on government regulation and disclosure requirements of their respective stock exchanges. Other than these disclosure requirements, CSR reporting is voluntary and is not required for smaller organizations and non-publically traded organizations. Based on the requirements for the disclosure of CSR activities, there is an evident convergence of CSR activities between these nations. Refer to Appendix A and Table 1.1 for further examination of these 24 nations and their requirements of CSR disclosure. In addition to disclosure, there is a need for these organizations across nations to be transparent with financial information and is in most cases required by the governing exchange or national government.

Need for Transparency

Another aspect of Corporate Social Responsibility (CSR) reporting that is in need of complete convergence is the transparency of financial reports. The concept of transparency within financial reporting is not well defined and is not uniform across nations (Barth, Schipper, p. 174, 2008). Transparency in its true form is the exact financial data as it is computed without interpretation or translation. Transparency in financial data for publically traded companies in the United States is in high demand from stakeholders and non-stakeholders. This financial information is typically required to be on public file with the Securities Exchange Commissionfor investors to safely invest in an organization that is publically traded. Privately held companies are not required to share any financial information unless or until they are public or are selling stake in the organization.

The International Accounting Standards Board (IASB) and Financial Accounting Standards Board (FASB) have set standards for transparency of financial and accounting records for publically traded companies. As globalization continues to take place in the economy, the IASB and FASB are working closely together in an effort to develop conceptual framework and develop standards of financial transparency (Barth, Schipper, p. 175, 2008). As mentioned before, with the convergence of International Accounting Standards and International Financial Reporting Standards, the development of a conceptual framework and standards for transparency is critical for the success of this convergence.

Transparency International is a non-government anticorruption organization that had been developed in an effort to promote global transparency of financial information of publically traded companies (Barth, Schipper, p. 175, 2008). Organizations such as Transparency International assist governments and governing agencies of public companies such as stock exchanges with obtaining transparent financial information from publically traded companies. This effort is critical for the continuous effort of promoting transparency of financial information for stakeholders and society. The financial information obtained from publically traded companies is important for government agencies in determining issues within local and global economic systems.

Economic information is seen within an organizations financial statement such as the profit and loss, statement of cash flows, and other financial records. The economic information is of each individual publically traded company that composes a stock exchange or a public market. When an economist or government organization determines the overall financial condition of a nation, the information gathered from a stock exchange or public market is from these financial reports of publically traded companies. Information is then composed into economic indicators such as an industry index or a sector report to understand where economic issues exist or weaknesses within specific areas of an economy (Barth, Schipper, p. 176, 2008). With transparent financial information from publically traded companies and standards for transparent data, economic predictions and trends can be further defined.

The overall importance of having transparent financial information is for stakeholders, non-stakeholders, society, and investors to be able to make decisions from financial information that is readily available and presented in an understandable manor (Barth, Schipper, p. 177, 2008). Transparent information is important for making investment decisions that are either non-monetary or monetary

investments from any interested or vested party such as an investor or society. As mentioned before, this transparent financial information should be available and accessible for any interested party and governing agency for analysis on the overall economic condition of both the company and the industry in which the company exists.

Discussion

Theories of Davis, Nikolaou, Evangelinos, Smyth, Calafell, Gutierrez, Antonio, Minoja, Garriga, Mele, Moser, and Martin have all contributed to the concept of Corporate Social Responsibility and international accounting standards through their theoretical framework. These theorists have developed critical concepts used in accounting that have evolved and have been replicated into current concepts. Corporate Social Responsibility and international accounting have been in the spotlight for many years as the world continues to globalize and evolve into a unified economic and financial system. This demonstration has identified key elements that have affected society on a local, national, and international level such as Corporate Social Responsibility, International Accounting Standards, International Financial Reporting Standards, international transparency, and globalization.

Corporate Social Responsibility (CSR) activities and theories have been developed in the 1950's from the simple notion that the organization is in existence to satisfy a need of the community and without the community there would not be a need to be satisfied and thus the organization would not be in existence. This correlation between society and organization is critical because society has needs that need to be satisfied and the organization has a need for survival. Members of society work for the organization and support the organization through their work at the organization and by purchasing goods and services from the organization. The organization supports the community through CSR activities such as providing jobs for society, contributing financially and non-financially to the community, charitable contributions, and support of local communities with political and governmental support. There are many ways that this correlation is displayed through the CSR activities discussed above. The existence of both society and an organization is dependent on this correlation.

Authors Nikolaou and Evangelinos address critical theory, stakeholder theory, contractual theory, and economic theory. These theories are correlated with Corporate Social Responsibility because of the activities an organization is involved with for the betterment of society through these theories. The concept of critical theory has been developed to quantify and validate research efforts within accounting methods. The verification and validation of research efforts is critical to identify because research efforts in accounting are conducted to resolve known accounting issues. Without the validation of accounting research efforts, certain accounting methods would not be in existence and the unification and standardization of accounting methods across nations may not be possible.

Stakeholder theory is a theory that involves both management of an organization and individuals involved with the organization and their ethical behavior. Individual stakeholders are not only shareholders of a publically traded company but also include all individuals and other organizations that have an interest in the organization. Stakeholders include shareholders, government agencies, society, non-government agencies, and other individuals or groups that have a vested interest in an organization. These individuals typically have an interest in the overall performance of an organization, which can be observed through financial reports such as the profit and loss statement, statement of cash flows, and other financial reports. Directly correlated with the need of financial transparency, stakeholder theory has a need for the transparency of financial and non-financial information of an organization.

Contractual theory is the concept that there is a contract between individual stakeholders and the owners of an organization. This contractual relationship is observed through financial and non-financial transactions between stakeholders and the organization. The concept of contractual theory is also correlated with Corporate Social Responsibility (CSR) activities whereas there is a contract between the organization and society. This contract between the organization and society is expressed through

the employment of individuals in the society and CSR activities that the organization is actively engaged. In addition to the contract, the need for transparency in financial reports for the stakeholders to maintain this contract between the organization and society.

Economic theory is identified as a monetary or non-monetary exchange for goods or services. The concept of economic theory has evolved since 1776 and has become involved with the concept of resolving current economic issues through research. Current research in economics is resulting in the contribution of literature to resolve current economic issues. This concept is important for the transparency of financial reports and the relationship between individual stakeholders and organizations. The application of this theory is ongoing and the evolution of this theory is continuing in present day.

Throughout this Knowledge Area Module, a correlation has been made with Corporate Social Responsibility and the development of International Accounting Standards and the development of International Financial Reporting Standards. This correlation will prove to be a contribution to the literature in research for the further development of international accounting and the harmonization and globalization of the global economy.

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Appendix A

Table 1.1

Country	**Government Regulation**	**Stock Exchange Regulation**
Argentina	Yes	No
Australia	Yes	Yes, Environmental Disclosure
Austria	Yes	No
Brazil	No	Yes, Sustainability
Canada	Yes, Environmental	Yes, Environmental and Social Responsibility
China	Yes	Yes
Denmark	Yes	No
Ecuador	Yes	No
Egypt	No	Yes
Finland	Yes	No
France	Yes, CSR	No
Germany	Yes	No
Greece	Yes	No
Hong Kong	No	Yes
Hungry	Yes	No
India	Yes	Yes
Indonesia	Yes	Yes
Ireland	Yes	No
Italy	Yes	No
Japan	Yes	Yes
Korea	No	Yes
Luxembourg	No	Yes
Malaysia	Yes, CSR	Yes, CSR
Mexico	Yes, Environment	Yes, Sustainability
Netherlands	Yes, Sustainable, Environmental	No
Norway	Yes, CSR	Yes, CSR
Saudi Arabia	Yes	No
Singapore	Yes, CSR	Yes, Sustainability
South Africa	Yes, CSR	Yes, CSR
Spain	Yes, Sustainability	No
Sweden	Yes, CSR	Yes, CSR
Turkey	Yes, CSR	Yes, Sustainability
United Kingdom	Yes, CSR	Yes, CSR
United States	Yes, Environmental	Yes, CSR and Sustainability