

## Recent developments in accounting and accounting standards

### • Meaning of Accounting Standards

Accounting Standards are the guidelines laid down by the expert accounting body as to how business transactions are to be recorded in the books of accounts and the manner in which business transactions are to be exhibited in the financial statements

### Meaning of Social Responsibility Accounting

It is also known as social accounting or social and environmental accounting. It is a normal accounting of social responsibilities met by the organization. It is concerned with measuring and disclosing the cost and benefits to the society as a result of operating activities of a business enterprise.

### 1. Briefly explain the need/ significance of international accounting standards?

- Standardise the diverse accounting policies and practices
- Eliminating the non-comparability of financial statements to the extent possible
- Ensuring reliability of financial statements
- A standard must provide a generally understood and accepted measure of the phenomena of concern
- A standard should significantly reduce the amount of manipulation of the reported numbers that is likely to occur in the absence
- They lay down uniform accounting policies and practices that should be followed by all business organizations, in respect of particular transaction
- It enables easy comparability of financial statements of various business organization as uniform accounting standards Board are more accurate and more reliable
- As accounting standards are formulated and issued by the ape expert accounting body in the country, they are very scientific and rational
- They increase and improve the credibility and reliability of the accounting information
- They curb the unlimited flexibility in the adoption of accounting policies and practices
- The financial statements prepared as per Accounting Standards would be useful to investors in judging the yield and risk involved in alternative investments in different companies

- Accounting reports prepared as per Accounting Standards are regulated by the Government Officials, Income Tax authorities etc., as quite reliable and acceptable

## 2. What is Human Resource Accounting? Explain the different methods or approaches of Human Resource Account

Human Resource Accounting means accounting for people as an organizational resource. It is the measurement of the cost and value of the people to an organization

Valuation of Human Resources

1. Human Resource Cost Accounting
2. Human Resource Value Accounting

### 1. Human Resource Cost Accounting

#### i. Historical Cost Method

This method is propounded William C.Pyle and R.G.Barry Corporation of U.S.A in 1967. The valuation of human Resources under this method is similar to valuation of any physical asset. All expenses incurred on recruitment, selection, hiring, training and development of human resources, of the organization will be capitalized

#### ii. Replacement Cost Method

This method was developed by RenisLikert and Eric G. Flamholtz. Under this method, the human resources are valued at their present replacement cost. If a new organization has to be started now, the cost of recruiting, selecting, hiring, training and developing human resources to their present efficiency level will be considered as the value of human resources of the organization

#### iii. Opportunity Cost method

The method was initiated by Heikimian and Jones. Under this method, the value of human resources will be ascertained on the basis of its alternatives use, i.e., on the basis of ability of performing other jobs. If an employee has no alternative use, he has no value

#### iv. Standard Cost Method

This method has been developed by David Watson. Under this method, the standard cost per grade of employee, for recruiting, selecting, hiring, training and developing will be ascertained year after year. The standard cost so arrived for all employees of the organization gives the value of human resources in the organization

v. Total Cost Method

This method was suggested by Prof. N. Dasgupta. Under this method the value of an employee of an organization will be equal to the total of the cost incurred by the employee, the state and the organization towards the education, training etc., to make the employee sufficient to his present level or to make him fit for the organization requirement

2. Human resource Value Accounting

i. Un purchased Goodwill Method

This method is propounded by Hermanson. Under this method, the value of human resources of an organization is equal to the amount obtained by capitalizing profits in excess of normal profits.

ii. Present Value Of Future Earnings Method

This method was developed by Lev and Schwartz. Under this method, the value of human resources is ascertained by capitalising the Salary considering along with the age of retirement.

iii. Rewards Valuation Method

This method was suggested by Flamholtz, and it is an important over the present value of Future earnings Method. The method considers the probability of an employee leaving the organization before retirement or dying before retirement or moving into another position.

iv. Net Benefit Method

This method was advocated by Morse. Under this method, the value of human resources is equivalent to the present value of net benefits derived by the organization

v. Total Payment Method

This method was propounded by Prof. S.K.chakraborty. Under this method, the valuation of human resource must not be done individually, but in aggregate

3. What is environmental accounting? State its needs?

Environmental Accounting is a subset of accounting purpose is to incorporate both economic and environmental information. It can be conducted at the corporate level or at the level of a national economy.

Need for Environmental Accounting at corporate level

- Meeting regulatory requirements
- Operate its factory in a way that environment damages do not occur
- Promote a culture and attitude of environmentally safe working amongst its employee

- Disclosure to shareholders the amount and nature of the preventative measures taken by the management
- Ensures safe handling and disposal of hazardous waste
- It presents in a proper manner, the utilization of natural resources of the country, the costs incurred to use them and the income earned therefrom
- It helps in measuring the contributions made by various business organizations in fulfilling their social responsibilities
- It helps in measuring the extent to which a corporate enterprise has utilized the environmental resources

4. Explain the objectives of Social Responsibility Accounting?

- It aims to identify and the periodic net social contribution of a firm. This includes the aggregate of net benefits to the company's employees, to the local population and to the public in general.
- It aims determine whether the firm's strategies and policies are consistent with the overall priorities of the community and society
- It aims to make available information of a firm's goals, policies, programmes etc., to all section of the society.

5. Give the methods of social accounting

- Social income method
- Social balance sheet method

Social income statement for the year ended

Particulars	Amount (Rs)
I. Social Benefits and costs to Employees	
A. Social Benefits to Employees:	
a) Medical facilities , Medical Insurance , Sick leave	XXX
b) Township and housing facilities including concessional water and Electricity supply	XXX
c) Career advancement	XXX
d) Education facilities	XXX
e) Food service and canteen facilities	XXX

f) Vacation, holidays and recreation	XXX
g) Recreation and cultural facilities	XXX
h) Concessional transport	XXX
i) Banks and other benefits	XXX
j) Retirement Benefits	XXX
k) Quality of life( Space and its quality)	XXX
Total social benefits to employees	XXX
B. Social Cost to employees	
a) Layoffs and involuntary termination	XXX
b) Over time worked but not paid	XXX
c) Inequality of opportunity	XXX
Total social cost to employees	
	XXX
C. Net Social cost to Employees (A-B)	XXX
II Social benefits and cost to community	
A. Social Benefits to community	
a) Local taxes paid	XXX
b) Environmental improvements	XXX
c) Welfare activity for the community	XXX
d) Local tax worth of net jobs created	XXX
e) Worth of business generated for the community	XXX
Total Social benefits to community	XXX
B. Social cost to community	
Increase in cost of living	XXX
Local taxes consumed in service	XXX
Total social cost to community	XXX
C. Net Social income to community(A-B)	XXX
III. Social benefits and costs to general public	
A. social benefits to General public:	

a) Central taxes and duties	XXX
b) State taxes and duties	XXX
c) Central and state taxes worth of Business generated and jobs created	XXX
d) Contribution to knowledge (publications etc.,)	XXX
e) Foreign Exchange earned and saved	XXX
f) Research and development Efforts	XXX
Total social Benefits to General Public	
XXX	
B. Social Costs to general Public:	
a) Central and State services Consumed	XXX
b) Foreign exchange spent	XXX
Total Social cost to general public	
XXX	
C. Net Social Income to general public(A-B)	
XXX	
IV. social Benefits and costs to clients	
A. Social Benefits to clients	
Value addition to previous contracts of clients	XXX
Total Social Benefits to clients	XXX
B. Social costs to clients	
Opportunity costs of contract revenue	XXX
Total social costs to clients	XXX
C. Net Social income to clients (A-B)	
XXX	

#### Social Balance sheet

	Amount (Rs)
<b>Liabilities</b>	
Organization Equity	XXX
Social equity (Employee's Contribution)	XXX
Total	XXX
<b>Assets:</b>	
Social Capital Investment	XXX

Land	XXX
Residential and Other Buildings	XXX
Road and Bridges	XXX
Road Supply and Sewerage	XXX
Furniture and Fittings	XXX
Other Equipment	XXX
Human Resources	XXX
Total	XXX