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Further Thoughts on Mega-Accounting and the Need for Standards

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Abstract

This paper continues previous research (Mathews 1984, 1997b, 2000a, 2000b, 2003) into developing a proposal for a system of comprehensive reporting based on a concept called mega-accounting. The ideas in mega-accounting are similar to those behind GRI (2002) and triple bottom line (TBL) reporting (Elkington 1997), but with a different underlying philosophy, a social contract approach compared to one based on organisational legitimacy or the need for management to drive sustainability and sustainable capitalism which is sometimes called 'the business case'. The paper attempts to develop the concept of mega-accounting by identifying the purpose underlying the reports, identifying the basis of a conceptual framework and providing an indication of the content that social and environmental accounting reports may include in the future. Of necessity the research perspective is normative and deductive, as is much of the process of developing accounting standards, the model upon which it is argued social and environmental accounting should be based. The paper concludes by reiterating that the way forward for social and environmental accounting and reporting is for a conceptual framework to be agreed and standards developed via a normative-pragmatic process that will provide the basis for comprehensive, audited, corporate reports encompassing the social, environmental and economic dimension. Furthermore, additional work is needed on the areas of macro-social accounting and externalities in order to develop a comprehensive framework.

Keywords: *Mega Accounting, Social and environmental accounting and reporting, standards for disclosure, Triple Bottom Line (TBL), GRI Guideline*

1. Introduction

This paper continues the work of Mathews (1984, 1997b, 2000a, 2000b, 2003) in developing a proposal for a system of comprehensive reporting based on a concept of mega-accounting. The ideas in mega-accounting are similar to those behind triple bottom line (TBL) reporting (Elkington 1997), but based

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on a social contract approach, in contrast to one based on the need for management to drive sustainability and sustainable capitalism. The paper fits within the social and environmental paradigm (Gray and Guthrie, 2007) more than the sustainability accounting and sustainability paradigm (Unerman et al., 2007). A more detailed comparison of these two approaches is contained in Mathews (2008).

The purpose of the paper is to follow-up prior work suggesting a structure for additional reporting of social and environmental (SEA) variables with more specific indications of the content of those disclosures. The author has also responded to critics who argue that conceptual frameworks and standards have no place in SEA accounting, because that would mean accepting too much of the status quo.

The paper provides an indication of the content that SEA accounting reports may need to include in the future. Of necessity the research perspective is normative-deductive, as is much of the process of developing accounting standards, the model upon which it is argued social and environmental accounting could be based. The author argues that financial accounting standard setting is a normative-pragmatic process whereby normatively constructed proposals are exposed to a 'small p' political process to ensure that the final outcome is accepted by the preparer group. This has been generally successful in improving the standard of financial accounting and reporting (1) and the process could be applied to the future development of social and environmental accounting and reporting. The use of a conceptual framework, legally backed standards and mandatory audits has led to improved, but by no means perfect, financial statements and a similar process may assist in developing similar standards for non-financial disclosures. Recently, statements by Alex Malley, the current president of CPA Australia, indicate that at last the profession is beginning to see the need for such standards:

(1) Accounting standards have had legal support in Australia since about 1984, however, there is no suggestion that the system is perfect.

> Environmental impact, community building and the like, are all issues that businesses will increasingly have to factor in as key components of their overall performance.
>
> How best to do this is a question the corporate world is still grappling with. It is absolutely critical that the accounting profession is intimately engaged in the development of rigorous non-financial reporting standards if they're to be successfully implemented. (Malley, 2008, p.8).

The area of social and environmental accounting and reporting has been described as under-theorised. There have been relatively few attempts to develop models or proposals for extending this area; Gray et al., 1996 (chapter 10), Schaltegger and Burritt (1997), Mathews (1997b and 2000a), Elkington (1997) GRI (2002, 2006) and Burke (1984), are some of these few examples. These proposals all have different underlying philosophies. Gray et al., is based on a critical theory paradigm, Schaltegger and Burritt (1997) is close to the business case in philosophy, Mathews (1997b, 2000a) has a social contract base, and

Elkington (1997) is based on either organisational legitimacy or the business case (Mathews, 2004). GRI (2002, 2006) has a complex underlying philosophy probably because it was developed by a committee including non-government agencies. It is closest to organisational legitimacy.

This paper continues previous research (Mathews 1984, 1997b, 2000a, 2000b, 2003) in developing a proposal for a system of comprehensive reporting based on a concept of mega-accounting. The ideas in mega-accounting are similar to those behind triple bottom line (TBL) reporting (Elkington 1997), but with a different underlying philosophy, a social contract approach compared to one based on the need for management to drive sustainability and sustainable capitalism sometimes referred to as 'the business case' (Mathews 2004). Thus, this paper is evolutionary rather than revolutionary in perspective; the economic and social status quo is accepted as a given in broad outline, but the operational details may be changed and fine tuning may take place without changing the basic structure of our society. It is likely that mega-accounting is criticised for supporting the current economic system, however, implementation of such a revised reporting regime would have change effects as well, particularly since it is based on a social contract philosophy. Mathews (1997b) and Mathews (2000a) advocated the mega-accounting model and the underlying principles are repeated in full in Table I.

Table I Underlying Principle of Mega-Accounting as detailed by Mathews (1997b and 2000a.

1. Information is made available to all stakeholders in recognition of the SOCIAL CONTRACT OF BUSINESS WITH SOCIETY. This implies a willingness to supply information to stakeholders who do not have a direct financial relationship with the preparer.
2. The annual report is a COMPREHENSIVE INFORMATION SYSTEM including separately reported economic, social and environmental position statements.
3. STAKEHOLDERS are defined as all members of society who have RIGHTS TO INFORMATION about those entities that are deemed to be significant and liable to publicly report on performance and condition (ASSC, 1976).
4. A CONCEPTUAL FRAMEWORK would be required for each area until integration is possible.
5. LEGALLY BACKED STANDARDS would be mandated for each area until integration is possible.
6. Statement components would have equal status in terms of AUDIT requirements.
7. THREE SEPARATE POSITION STATEMENTS together make up the ANNUAL REPORT of the entity to account to the other parts of the social and economic system in which the organisation is situated.
8. Each report would contain appropriate financial data and non-financial data is used in the social and environmental accounting position statements. Furthermore, raw data could be available as advocated by Wallman (1997, p.108) under the rubric of 'access accounting', and thus avoid the problems associated with too great a degree of aggregation.
9. Any transfer of financial information from one position statement to another would be made outside of the three individual statements; for example if the impact of the organisation on the social structure of the area or the environment could be reliably determined in financial terms this could be shown as an offset to the income earned, and vice versa. (Mathews, 2000a, p.121).

Using the mega-accounting approach the information should be based on a conceptual framework, appropriate legally backed standards and an independent audit modelled on post 1970 financial accounting. Some progress has been made in this direction with the introduction of Triple Bottom Line (TBL) reporting (Elkington 1997) and the framework of the Global Reporting Initiative (GRI 2002, 2006), although GRI 2002, 2006 do not claim to be a set of standards they might meet some of the requirements for a conceptual framework. Some organisations are now having independent audits conducted on the SEA aspects of their reports, however, this is only at an early stage, excepting where the European Community EMAS system is involved.

The need for standards is accepted by the Chief Executive of the GRI who recently stated that:

> Without standardised information, investors and the financial markets will be unable to integrate environmental factors into their decision making (O'Connor, J. 2008, p.49).

However, to date GRI has not produced standards of an accounting type.

The legally backed nature of accounting-standards may be controversial when applied to social and environmental disclosures. There are many who would regard legislation as inappropriate where a social contract is invoked, however, there has been a need for legislation with financial accounting standards and the author cannot see that some form of legislation can be avoided with any other form of information sharing. In other words, if non-financial disclosures are to receive the same respect and to be given the same standing as financial reporting then a similar quality of structure (conceptual framework, standards and audits) will be required.

1.1 Criticism of 'Sustainability Models'

In general the GRI proposals, put forward and developed over several years, have received a favourable assessment, as demonstrated by the number of citations received and the level of influence that the GRI guidelines have upon reporters. However, in a recent paper Milne et al. (2008) have criticised the GRI approach (and all other proposals that might fall under the general heading of triple bottom line accounting) concluding that:

> We argue that the TBL and GRI are insufficient conditions for organizations contributing to the sustaining of the Earth's ecology. Paradoxically, they may reinforce business-as-usual and greater levels of un-sustainability. (Milne et al., 2008, abstract).

The authors are critical of the GRI and similar schemes because they support the status quo in business and society despite adding to the disclosures to stakeholders, and because they are part of the promethean world view (Dryzek, 1997) where there are "benign trends leading off into a happy future". Mega-accounting would be included in the general criticism of TBL because such reports add to the continuing of economic activity and stimulation of demand for goods and services.

The problem with the paper by Milne at

al. (2008) is that although they very comprehensively address the problems of sustainability (or as they would put them non-sustainability) disclosures, they do not offer alternative models to our present position. For example:

> Depending upon one's beliefs, we face a range of options from do nothing because nothing needs to be done (promethean optimism) to do nothing because while things need to be done, it's too late and, as a species, we are incapable of sufficient change (fatalism). Between these positions lie a great many of us who believe we need to do something, and not just because it will help increase the likely survival rate of the human species. But the question is what to do? (Milne et al., 2008, p.3)

Despite the build-up, the authors do not attempt to fill in the space with any alternatives of their own construction. Furthermore, the issue of reducing or at least maintaining world population is not considered at all.

The nub of the problem is clearly stated as follows:

> Defining sustainability as the progressive maintenance of the life-supporting capacities of the planet's ecosystems requires the subordination of traditional economic criteria to criteria based on social and ecological values, and this begs the question whether business decision makers operating within the constraints of a capitalist system are capable of making sacrifices of profit and so resources, and ecosystems for future generations and other species (Gray, 1992; Milne, 1996; Gray and Bebbington, 2000). It also begs the question whether it is even fair to suggest that they should do so or that there is any credence whatsoever in their own claims that they are able to do so (Gray and Milne, 2002, 2004) (Milne et al., 2008, p.5).

The reader might see this passage as another wasted opportunity to state exactly what solution is within their grasp. Once again the authors pass up an opportunity that they have created to offer their views of the direction in which to progress.

The authors are concerned about issues of equity and social justice and core issues around sustainability such as scale of development, limits and constraints to that development and effects on future generations. The authors are moving in the direction of limitations on corporate action but fail to specify what action they would advocate. Without the position/alternative being stated it is not possible to see how this affects mega-accounting proposals.

The UNEP/Sustainability benchmarking initiative is criticised for attempting to build a business case. The authors stating that:

> Getting beyond the business case, however, we suggest, requires UNEP/Sustainability to return to its original conceptions of sustainability, distance itself from the critical TBL reporting model its report series (and now the GRI) has developed, and make real demands for business to re-frame unsustainable industry and business models (Milne et al., 2008, p.12).

The authors note that more accounting bodies and business associations are now engaging with notions of sustainability and sustainable development, which concerns them because:

> The concern we have with these initiatives is the same concern as with business reporters and the reporting frameworks, and that is that the notion of sustainability cannot be other than translated into the logic and language that already pervades such institutions. (Milne et al., 2008, p.13).

Although Milne et al. (2008) put forward a strong case that TBL models are ultimately not going to further sustainability, there is nothing to suggest that even if they are able to produce alternative approaches the need for better and more complete reporting does not exist. An argument can be mounted that a radical new form of organisation and operation can exist alongside the type of reporting proposed by GRI. The problem for those interested in building models is that those who are concerned with the perpetuation of business-as-usual have not put forward their alternatives for criticism in the same way that they are free to criticise those putting forward models of improved disclosure. The case for conceptual frameworks, standards and audits can be made whether to fit the status quo or a revised model of social activity involving greater control of economic activity, and restrictions on growth and demand stimulation.

The remainder of the paper is structured as follows. Section 2 describes other normative models, and then discusses possible legal impediments to the expenditure of corporate resources on social and environmental disclosures. Section 3 lists the problems that the author argues remain to be addressed including the development of a conceptual framework to underpin standards, the development of the standards themselves, and independent audits of SEA disclosures, and the three dimensions for disclosure social, environmental and economic information. This is followed by concluding comments and future research. A detailed list of ideas to be considered for the development of standards for disclosure in the social, environmental and economic dimensions is attached as an appendix.

2. Other Normative Models

Although normative-deductive approaches to developing financial accounting and reporting ceased to be influential at the end of the General Normative Theory Period in 1970 (Henderson and Peirson, 1983), a number of important contributions to Social and Environmental Accounting (SEA) have been based on the Normative-deductive approach. In addition to the mega-accounting model (Mathews, 1997b) and the Triple Bottom Line approach (Elkington, 1997), other have been put forward by Gray et al., (1996, Chapter 10), Schaltegger and Burritt (1996). The set of sustainability guidelines put forward by the Global Reporting Initiative (GRI2002, 2006) is another example of a normative-pragmatic statement which is similar to a conceptual framework rather than a set of standards.

Another model for a conceptual framework might be aspects of the social accounting information system proposed by Burke (1984, p.109), which states (p.100) that the four primary functions of a social accounting information system (SAIS) are:

1. To systematically survey developments in the social environment (a general surveillance system);
2. To furnish information with respect to choice of social goals and the selection of specific programs which include explicitly-stated social objectives;
3. To provide inputs to specific decisions; and
4. To evaluate the system's overall effectiveness. (Burke, 1984, p.100 cited in Mathews, 1993, p.68).

These models all lie within the accounting discipline which, historically, claims precedence in matters of measurement and the reporting of economic and other information. However, in most cases there is no clear philosophical basis or underlying philosophy, or if there is, it is not a social contract basis as with mega-accounting (Mathews 2004). Elkington does not give a philosophical basis but is generally supportive of management perspectives, Gray et al. takes a critical theorist position, Schaltegger and Burritt are allied to the business case, whilst GRI2002 and GRI 2006 are closest to organisational legitimacy which is based on a social contract approach but in some applications appears to be close to the business case. The social contract approach has been explained by Donaldson (1982) as follows:

> The political social contract provides a clue for understanding the contract for business. If the political contract serves as a justification for the existence of the state, then the business contract by parity of reasoning should serve as the justification for the existence of the corporation (Donaldson, 1982, p.37).

And:

> When an organization… manufactures a a product that is inherently dangerous, or when it pushes its employees beyond reasonable limits, it deserves moral condemnation: the organization has failed to live up to a hypothetical contract – a contract between itself and society (Donaldson, 1982, p.57).

Organizational legitimacy is the practical outcome of applying the social contract perspective and is often explained through the words of Dowling and Pfeffer (1975):

> Organizations seek to establish congruence between the social values associated with or implied by their activities and the norms of acceptable behaviour in the larger social system of which they are a part. Insofar as these two value systems are congruent we can speak of organizational legitimacy. When an actual or potential disparity exists between the two value systems, there will exist a threat to organizational legitimacy (Dowling and Pfeffer, 1975, p.122).

Reynolds and Mathews (2000) attempted to apply the social contract and organisational legitimacy concepts to the accounting profession in commenting on the lack of movement towards SEA. Beginning with the views of Shocker and Sethi (1974):

> Any social institution… operates in society via a social contract, expressed or implied, whereby its survival and growth are based on (a) the delivery of some socially

> desirable ends to society in general and, (b) The distribution of economic, social, or political benefits to groups from which it derives its power.
>
> In a dynamic society, neither the sources of institutional power nor the needs for its services are permanent. Therefore, an organisation must constantly meet the twin tests of legitimacy and relevance by demonstrating that society requires its services and that the groups benefiting from its rewards have society's approval (Shocker and Sethi, 1974, p.67).

Together with the previously stated definition of organisational legitimacy this led Reynolds and Mathews (2000) to warn that:

> It may also be argued that the failure of the accounting profession and the accounting discipline to respond to the challenge of environmental accounting and reporting endangers their professional status in the medium to long term (Reynolds and Mathews, 2000, p.90).

This warning may be redundant now that at least one Australian professional accounting body has begun to move towards acceptance of the need for organised and regulated non-financial disclosures (see pp.3-4 above).

A different approach has been taken by the legal fraternity, and a recent report details how legal restrictions may influence the normative-deductive models of accountants seeking to improve SEA reporting.

2.1 Legal Concerns about SEA Reporting

Camac (2005) an Australian Discussion Paper on Corporate Social Responsibility published by the Corporations and Markets Advisory Committee in 2005, is concerned with CSR from a legal perspective. Section 1.2 "history" examines the origins of CSR and details a number of attempts to provide guidelines, standards etc. It discusses a legal basis for not adopting a too liberal approach to using corporate resources for either charitable donations or environmental protection. Directors are liable personally for actions which result in the unnecessary expenditure of shareholders resources because, in general, there is little legal recognition given to the 'rights' of stakeholders without direct contractual connections with the corporation. Normally, expending resources should have some connection with advancing the future of the corporation.

The American Law Institute model (Principles of Corporate Governance model clause 2.01b(3)) states:

> Even if corporate profit and shareholder gain are not thereby enhanced, the corporation, in the conduct of its business may devote a reasonable amount of resources to public welfare, humanitarian, educational, and philanthropic purposes (ALI, 1994, p.55).

There could be legal limitations to the extent that SEA activity can be followed unless a connection with corporate advantage can be shown. Clearly this is not a social contract perspective. This position applies to Australia as well as the US. The Australian Stock Exchange has issued Principles of Good Corporate Governance and Best Practice Recommendations that follow a corporate benefit approach:

> Companies have a number of legal and other obligations to non-shareholder stakeholders such as employee, clients/customers and the community as a whole. There is growing acceptance of the view that organisations can create value by better managing natural, human, social and other forms of capital (ASX, Best Practice Recommendation No.10).

Although some legal approaches are more restrictive to SEA development than many accounting academics might like, there are other more ethics-based approaches. For example, the ALI Principles of Corporate Governance model clause 2.01(b)(2) states:

> Even if corporate profit and shareholder gain are not thereby enhanced, the corporation, in the conduct of its business may take into account ethical considerations that are reasonably regarded as appropriate to the responsible conduct of business. And
>
> Ethical considerations necessarily include ethical responsibilities that may be owed to persons other than shareholders with whom the corporation has a legitimate concern, such as employees, customers, suppliers, and members of the communities within which the corporation operates. The content of these responsibilities may vary according to the type of business in question and the history and established standards of the particular corporation.

Some legal thinking is restrictive as applied to SEA reporting, if corporate resources are to be used seeking to restrict initiatives by management that might lead to the sort of changes favoured by advocates of mega-accounting reporting. More recent legal argument is far closer to that of many accounting theories including mega-accounting theory and other normative-deductive SEA models. The relevance of legal thinking to accounting and reporting is clearly important if standards are to be developed that could be supported by legislation. A consideration of legal restrictions is not often included in the accounting literature.

3. Problems Still to be Addressed

Although a great deal has been achieved over the past 30 years (Mathews 1997a) in terms of extending the boundaries of accounting and reporting, neither social nor environmental accounting have a conceptual framework, standards, or mandatory audits. These are considered in the following sections.

3.1 Towards a Conceptual Framework

To produce a conceptual framework, a number of matters need to be resolved; What is the objective of the reporting process, which organisations should report, how should reports be constructed, and how should we define the different parts of accounting statements?

A suggested objective for mega-accounting (TBL) accounts is given below:

> The purpose of a set of mega-

> accounting (or TBL) accounts is to enable a reader with no prior experience to gain a full understanding of the practices and policies of the organisation as they apply to products, employees, the environment and the general public. The information required will include social, environmental and economic disclosures that have been prepared in accordance with standards and the reports will have been independently audited.

The reader will note that this is an expansion of the position advocated by mega-accounting theory (Mathews 1997b).

The organisations that should report are those having major social, economic, or environmental impacts on society (ASSC, 1975 limited their attention to economic impacts). Note that most accounting conceptual frameworks and standards refer to legal structures to determine which should report. However, the social contract approach indicates that it is the social economic and environmental impact that is important rather than the legal position. Thus large private companies would be treated no differently from large public companies, or public sector entities, in terms of reporting polluting actions or major impacts on employment.

How should reports be constructed? If the expanded reports are to earn any credibility amongst users (defined as all those who have 'rights to information' (ASSC, 1975) there must be a degree of standardisation and uniformity, which is also required if the reports are to be audited. It is not sufficient to indicate as GRI 2002 does that organisations should report 'the total energy used in a period' if there is no specification of how this should be measured and what units should be used in measurement. The same strictures apply to defining the different parts of the statements. An important issue is whether there should be any attempt to combine the economic, social and environmental outcomes. In other words, should an economic positive be used to offset an environmental negative? To permit such an offset would probably be fatal to the system of reporting advocated by mega-accounting and the TBL.

Definitions in financial accounting, assets, liabilities etc will need counterparts in SEA, such as measurements of impacts on labour (employment, earnings, safety, training available), local communities (employment creation, payments to local authorities), and the environment (discharges to water, air, and landfill, by type and volume compared to legal requirements).

3.2 The Development of Standards and Independent Audits

As noted previously there is at least one set of guidelines (GRI 2002, 2006) that some might accept as providing standards for disclosures in line with the TBL approach (social, environmental and economic reporting). However, when assessed against the modern approach to financial accounting (conceptual frameworks, legally backed standards and independently audited accounts) the GRI guidelines are somewhat lacking. For example GRI 2002 does not provide clear procedures for determining the information to be disclosed such as the amount of power consumed during the period. Similarly the conceptual frameworks that have been produced have tended to be to support sectorial interests (SA8000) and are not universal (Deegan, 2000, p.322). GRI 2002 does not address the same areas as the financial accounting conceptual frameworks such as which organisations should report, how should reports be constructed, how should we define the different parts of accounting statements? Unless and until the conceptual framework/standards issues are addressed organisations cannot be required to produce reports that could be independently audited in the accepted manner.

Some possible disclosures might include the following. A detailed list is provided in Appendix II.

3.2.1 The Social dimension. The impact on employees and the local economy. Details relating to employees; gender, location, numbers employed, wages, salaries paid, dividends and interest payments paid into the national and local economy. Information about payments made for goods and services received and the extent to which they support the local and national economies. A statement of value added.

Clearly the economic impact is important whether in a buoyant or depressed economy. When an economic downturn is experienced the way in which the organisation attempts to protect the local economy is clearly very important (Harte and Owen, 1987). In good times the extent to which the wealth generated is shared, will be seen as important not only in wages paid, but also other benefits including; pension contributions, training, and financial support for housing and education. The statement of value added may be used to assist in providing this information. The impact of the organisation on the local social structure will be important to the extent to which the organisation is regarded as legitimate and fulfilling the conditions morally attached to the social contract argument.

3.2.2 The environmental dimension. This area has received more attention than the social in recent years, even though many disclosures have not been aimed at assisting the general public. To enable an outsider (the reader) to appreciate the environmental impact of the organisation the report should contain comparative data allowing the reader to assess data provided by the entity against that required by legislation and the industry average when this data becomes available.

The data would include discharges and escapes of potentially toxic materials (discharges are defined as deliberate releases, whereas escapes are part of the production process, such as dripping taps and leaking steam valves and not deliberate) as well as those reflecting a poor degree of efficiency of the plant.

The energy consumed by a plant in relation to output is an important measure of efficiency and this measure can be used in benchmarking against industry averages. Standards will be required to ensure that the measures used are comparable between organisations and to facilitate the audit process. They should be modelled on modern accounting standards which go a long way towards ensuring comparability between disclosures.

Information on the discharge of toxic

chemicals has to be made to the authorities for inclusion in the Toxic Release Inventory (US) or National Pollutant Inventory (Australia), and this information could be included in the environmental section of a comprehensive annual report by corporations. However, the NPI applies to only a limited number of organisations. Greenhouse gas legislation currently being implemented by many countries will make more comprehensive reporting acceptable to business interests.

3.2.3 The Economic Dimension. Traditional accounting reports are the main part of any economic dimension within TBL reporting. However, it should be noted that financial accounting, although greatly improved since the development of legally backed standards post-1984, and IFRS requirements since 2005, has not attempted to address a number of financially based dimensions, such as the disclosure of executory contracts (an extension of the disclosure of leases), internally generated intangibles (IAS38 may be regarded as retrograde) to name but two areas of interest to the author and others. Valuation issues have not been resolved, although in Australia CCA may be gaining more acceptance (Miller and Loftus 2000) and the conceptual frameworks produced generally avoid valuation issues.

Many SEA proponents are not particularly concerned with the development of financial accounting, believing perhaps that traditional accounting is responsible for maintaining the status quo and damage to the environment through short-term decision-making (Tinker, 1985, Gray et al. 1996). However, both mega-accounting and TBL see the economic dimension as very important and an equal part of the overall disclosures required to inform the general public about organisational performance.

Development of all three dimensions at the same time and using the same general approach is seen as desirable. To develop standards for disclosure in all the areas listed in Appendix II is clearly a major task for the future and one that must be done by professional bodies as they do for financial accounting standards. Recent comments by Malley (2008) on the need for standards for non-financial reporting are seen as the beginning of a new initiative by the accounting profession in Australia. CPA Australia has just announced several day-long meetings on International CSR as part of their Continuous Professional Development (https://www.cpaaustralia/com/au).

Nothing in this paper is intended to detract from the considerable efforts that have been made to improve and extend corporate disclosures since about 1970, even though some reports appear to be motivated by purely organisational image needs. Social and environmental accounting and reporting is no longer an unusual feature of corporate behaviour, especially with larger corporations or those operating within traditionally polluting industries. However, there is evidence (Deegan and Rankin, 1996; Deegan et al., 2000) that the corporate disclosure mission is often to present only a positive image of corporate performance. This was once a feature of financial accounting and reporting that required concerted action to remedy.

The author argues that similar resolute action is required in the area of Social and Environmental Accounting and Reporting with a model for standardised and audited disclosures based upon modern financial accounting with a conceptual framework, standards (perhaps in time with legal backing) leading to disclosures that can be independently audited. This paper provides at least some of the necessary components of such a system including, a stated objective (page13), a philosophical basis (the social contract), some elements of the conceptual framework (figure 1 and Appendix I), and a list of potential disclosures to be considered for the standard setting phase (Appendix II). It is true that this list of 'things to do' is lengthy and perhaps daunting but the GRI (2002, 2006) has a list of potential disclosures but it is argued far less structure or underlying philosophy than mega-accounting. Elkington (1997) also has matters for management to address if business is to remain sustainable.

The development of mega-accounting to this point is summarised in Appendix 1. The suggested measures listed in Appendix II are all capable of being formulated as standards which could be verified and all would provide useful information to satisfy the objective given on page 13. By redefining the target readership to be outsiders wishing to gain a full understanding of the practices and policies of the organisation in social, environmental and economic areas, the report moves away from a short-term financial and shareholder only dimension and opens up many additional possibilities.

4. Concluding Comments

Mega-accounting (MA) is an idea that was developed by the author in 1997, appearing at the same time as TBL. There are fundamental differences because MA is based upon a social contract of business with society, whereas TBL is fundamentally a management focussed tool. MA is influenced by the concepts contained in the Corporate Report (ASSC 1975) with ideas of non-contractual stakeholders having 'rights to information'. Consequently all citizens are entitled to know a great deal about the operation of significant social, and economic entities regardless of their legal status or system of ownership and control. Mathews (1997b) was silent on the need for a conceptual framework and standards for disclosure and audit/ verification.

This paper has built onto and advanced the mega-accounting idea by providing an objective for the reports (p.13) and by addressing the conceptual framework needed to underlie the formation of standards (Appendix I and figure 1). The list of dimensions to be reported upon is given as Appendix II. The future of this project will lie in attempting to develop the standards to fit with the other parts already completed.

The success of recent efforts to develop internationally accepted accounting standards, which have legal backing in many countries, points a way forward for non-financial disclosures. Tentative efforts by some professional accounting bodies in the direction of taking ownership/ responsibility for the development of standards and the continued development of the GRI guidelines (now recognised as needing standardisation) should mean continued advances in expanded reporting, regardless of whether new forms of economic structures are produced to deal with threats to sustainability.

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Appendix 1 A Schematic for Mega Accounting Reports

1. The Underlying Philosophy – The social contract of business with society
   Refer Appendix I
2. The purpose of mega-accounting reports – *As stated on page 13.*
3. The Conceptual Framework
   - *i.* Which organisations should report? *All those of social, economic and environmental importance (ASSC 1975).*
   - *ii.* To whom should these organisations report? *–all stakeholders with 'rights to information' (ASSC 1975).*
   - *iii.* How should mega-accounting reports be constructed? And How should the different parts of the statements relate?*—In a manner which standardises the information for both the reader and the auditor.*
   - *iv.* What information should be standardised - *for examples see Appendix II.*

Appendix II

The lists below are not exhaustive, but suggestive. No individual can determine what should be disclosed since this must be determined collectively by many parties engaged in extensive dialogue including professional bodies, government agencies and representatives of preparers and stakeholders.

Economic Position Statement:

Suggested content would include existing IFRS based standards plus standards to accommodate the following issues;

- Alternative valuations of assets and liabilities using ranges of values around a single point instead of a single point value.
- The inclusion of executory contracts as an extension of the capitalisation of leases.
- Human Resource Accounting, to provide the value of the human asset.
- Internally generated goodwill and other intangible assets. The new IFRS regime is a retrograde step in this area.

The author has an interest in the above, readers will have other concerns. The opening statement applies here.

Social Position Statement:

Data related to employees, products and services provided; community service and relations with government agencies especially local government. The social contract perspective will require that much of the attention is devoted to employee and local community interests, especially given the opening statement about collective as opposed to individual development.

Employee data should include;

- the numbers employed,
- gross earnings i.e. total wages paid.
- Information regarding Trade Union involvement.
- Details of training and funded/subsidised study programmes operated by the organisation.
- Scholarships provided for employees and their dependents.
- Details of lost-time accidents involving serious injuries and time lost by minor accidents analysed by plant or division.
- The proportion of value added going to labour.
- A measure of net social contribution.
- Number of employees by geographical location, and gender.
- Total payments for salaries, wages, and other employee benefits.
- Official disputes as a proportion of normal working time.
- Unofficial disputes involving a cost to the organisation.
- The extent to which grievance procedures are utilised.
- Details of minority employment where that is relevant to the operation of the organisation.
- Numbers of employees employed at different levels including gender and minority data.
- Comparisons with similar organisations.
- Relationships with the local community including sponsorships, prizes, scholarships, funding of local communities through employment, local purchases of goods and services, payments to local governments and an estimate of benefits received from local government services such as roads, railways, ports.

Environment Position Statement

Although there has been a lot of discussion in the academic literature (Gray et al., 1993; Schaltegger and Burritt, 2000) related to environmental reporting, examples of systematic and comprehensive disclosures are somewhat rare. From a social contract perspective disclosures will concentrate on energy usage and discharges to water, air and landfill, since eventually these will determine sustainability and the acceptability of the organisation to society.

Suggested disclosures include.

- Amount and cost of energy used.
- Specific measures of energy used per unit of output.
- Energy used related to output at specific plants and production centres.
- Details of the research programme if directed towards increased efficiency and a reduction in energy use.
- Inputs of materials and outputs of product, waste and by-products.
- Discharges to air, water and landfill, especially data supplied for the Toxic Re-