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MAPPING INDIA'S IFRS CONVERGENCE TO CSR REPORTING

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Abstract : **Accounting standards have made the reporting of a business's numerous economic activities uniform and systematic to this day. The International Financial Reporting Standards (IFRS) were created with the goal of standardizing accounting procedures used in different countries. India is converging IFRS in order to harmonize its accounting methods with those used throughout. CSR has a considerably broader appeal than just a concern for its economic effects on society. Companies in India are required by the recently enacted Companies Act, 2013 to use a portion of their profits for social benefit. Companies are required to disclose their social spending starting with the 2014–15 financial year. For CSR spending to be fairly accounted for, there needs to be a considerable commitment from global accounting bodies, especially the International Accounting Standards Board (IASB).**

Company reporting on social and environmental issues is the article's initial focus. Research on the breadth of CSR reporting and sustainability reporting in general is then reviewed. It concludes by outlining the role played by the accounting profession in promoting and adopting corporate social and environmental responsibility.

Index Terms **- International Financial Reporting Standards, Corporate Social Responsibility, Companies Act 2013, Corporate Social Spending, Corporate Social Reporting.**

I. INTRODUCTION

The term "corporate social responsibility" (CSR) covers a wide range of topics concerning the relationships between businesses and their communities. Ethical and leadership concerns, as well as social initiatives including philanthropy and community service, product security, access to justice and other civil liberties, and environmental protection are all addressed. When viewed through the lens of the accounting profession, CSR is intrinsically tied to social (and environmental) reporting and accounting. No current norm or standard exists, thus it's possible that money spent on CSR hasn't been properly accounted for. The observation, however, shows that different terms for the same thing—whether it be Corporate Social Reporting, Social and Environmental Accounting, or Corporate Social Disclosures—have been used inconsistently in annual reports. This article summarises findings from a selection of studies investigating how much reporting occurs. It also discusses the role that accountants play in ensuring the accuracy of social and environmental reports and advocating for increased social spending for corporate social responsibility.

Businesses in India are required to make mandatory contributions to charity, making the country the first in the world to do so. The guidelines and procedures for CSR expenditures are set forth in Section 135 of the Companies Act, 2013. This has resulted in a great deal of ambiguity, and accountants have a lot to offer to the discussion surrounding Corporate Social Reporting. To improve the quality of financial reporting, the most important thing that could be done is to establish a standard for Corporate Social Reporting.

II. THE ISSUE

Improved quality, greater openness, and greater comparability all result from the use of accounting standards, which also aid in arriving at an accurate valuation of a company's assets and liabilities in the Financial Statements. The components of the Financial Statements should be handled in accordance with the recognition, measurement, and disclosure standards. Following the enactment of the Companies Act 2013, it has come to light that corporations must allocate a portion of their profits to social spending, provided that they do so in compliance with the regulations outlined in Section 135 of the Companies Act 2013 and the Income Tax requirements. The money corporations spend to do their part for society could have an immediate impact or a longer-lasting positive effect on people's lives. However, the real value of the organisation is weakened due to the absence of accounting standards in identifying, measuring, and disclosing the various varieties of social spending. As a result, efforts should be undertaken to bring the social spending into the accounting fold.

III. LITERATURE REVIEW

The literature review has been divided into three sections:

3.1 Social and Environmental Accounting

Gray et al. propose the most practical and often employed definition of SEA. They define it as "communicating the social and environmental repercussions of an organization's economic operations to specific interest groups within society and to the general public." As such, it entails extending the accountability of organizations (especially corporations) beyond the traditional role of presenting a financial account to capital owners, in particular shareholders."

Rob Gray defines social accounting in his article as "the creation and publication of a report on an organization's social, environmental, employee, community, consumer, and other stakeholder interactions and activities and, where possible, the outcomes of those interactions." The social account may include financial information, but it is more likely to consist of a combination of quantified non-financial information and descriptive non-quantified information. The social account may serve multiple goals, but discharging the organization's responsibility to its stakeholders must be the dominating rationale and the standard by which it is evaluated."

Stakeholders' competing expectations have prompted scholars to consider stakeholder management' as a driver of CSR activity and reporting (Gray et al., 1996)

3.2 Theories on CSR

Several ideas on why businesses record or disclose information about their CSR operations have been developed through theoretical work on CSR accounting. Some of these theories propose that businesses utilise reporting as a kind of communication to influence stakeholders' views of the company and its practises. Most research supports the idea that companies utilise public relations and financial reporting to protect their credibility with the public and their stakeholders. Stakeholder theory broadens the scope of legitimacy arguments beyond the general public to include more specific interest groups (Deegan, 2002).

Corporate Social Responsibility (CSR) is defined as "the process by which an organisation thinks about and evolves its relationships with stakeholders for the common good, and demonstrates its commitment in this regard by adopting appropriate business processes and strategies," according to the Guiding Principles for CSR promulgated under Section 135 of the Companies Act, 2013. Thus, corporate social responsibility is not the same as charity or simple donations. Corporate social responsibility (CSR) refers to an approach to business that enables corporations to make tangible contributions to society. Companies with a strong social conscience don't just focus on initiatives that boost earnings. Incorporating economic, environmental, and social goals into the company's operations and expansion is what CSR is all about.

3.3 Accounting Standards and Framework

Having a strong theoretical foundation for accounting standards is essential, and this is what a conceptual framework provides. One definition of a conceptual framework is "a coherent system of interrelated aims and basics that is intended to lead to uniform standards" that "prescribes the nature, function, and boundaries of financial accounting and reporting" (Deegan, 2006). Since social expenditure is on the rise around the world and the framework is fluid, it only makes sense to incorporate CSR initiatives into a comprehensive theoretical framework. Because of this, it is necessary to incorporate a provision for mandatory corporate spending within the scheme.

According to the Accounting Standards Review Board (1990), the purpose of general purpose financial reports is "to provide relevant and reliable information to assist users in making and evaluating decisions about the allocation of scarce resources and to allow management and governing bodies to discharge their accountability." This could be interpreted broadly to include information on social or environmental impacts that is not directly related to financial matters.

Many nations have adopted or converged on International Financial Reporting Standards (IFRS), and with that has come a new standard for how financial statements should be put together and presented (the Framework). According to the Financial Reporting Framework, "current and future investors, employees, lenders, suppliers and other trade creditors, customers, governments and their agencies, and the general public" are the most common recipients of financial data. "The providing of information on the financial position, performance, and changes in the financial status of an enterprise that is relevant to a wide variety of users in making economic decisions," as stated by the Framework, is the purpose of financial statements. As a result, a wide interpretation may include not only economic but also social and environmental performance.

IV. REPORTING PRACTICES

Managing economic, social, and environmental challenges in order to produce long-term value for the organisation and its stakeholders is the primary focus of good sustainability reporting. Environmental and social reporting is more than just a public relations or compliance exercise for Corporate Responsibility (CR) leaders; it is a driver for improvement and transformation. Efficient sustainability reporting sheds light on thorny problems, backs up broad goals, and helps businesses succeed. There must be both official and informal internal procedures in place to raise employee and stakeholder understanding of the company's environmental goals and to validate those goals with a cascade set of performance measures for sustainability reporting to be effective. Prominent businesses often employ internationally recognised frameworks to ensure that their sustainability and climate change initiatives are consistent, credible, and transparent. By establishing a standardised methodology and clear criteria to provide a comprehensive, strategic approach to tracking and reporting on nonfinancial variables, uniform standards assist lower the expenses of conducting evaluations. Common frameworks and standards provide comparability to back internal and external benchmarking on nonfinancial reporting indicators, and are thus a vital tool for driving performance improvement. Companies following these principles are better able to share consistent, transparent data that can be easily compared to that of their competitors. Companies face compromises and ambiguity when selecting exactly what to report internally and externally, and where to draw the line, because sustainability reporting is significantly less defined and regulated than financial reporting.

Best-practice adopting businesses see environmental reporting as a means to an end—the achievement of financial targets based on the sale of environmentally friendly goods and services. Effective sustainability reporting necessitates the use of both official and informal internal procedures to raise employee and stakeholder understanding of the company's environmental goals, and to validate those goals through a cascading set of performance indicators.

Standards for reporting on sustainability have been standardised by the Global Reporting Initiative (GRI). Companies following these rules are better able to disclose consistent, clear data that can be easily compared to that of their competitors. Sustainable cost reduction, new revenue sources, and improved stakeholder engagement are just some of the benefits that can accrue to businesses that adopt best practises in environmental and social reporting and shift their perspective from one of compliance obligation to commercial opportunity. Companies must make decisions and navigate uncertainty when determining what sustainability metrics to report internally and externally and where to draw the line. The list of stakeholders' worries also becomes longer. To overcome these obstacles, sustainability leaders conduct analyses of performance gaps, conduct benchmarking, and set up systematised stakeholder interaction and materiality analysis processes.

Using the company's Corporate Social Responsibility Strategy, its several pillars, and the related action plans for each pillar is one way to ensure that the sustainability report adequately meets the concerns of the stakeholder audience. As a result, businesses are able to prioritise the most pressing issues for tracking, reporting, and improvement, and there is coherence between strategy, activities, and performance assessment.

By law, as of the passing of the Companies Act, 2013, businesses must allocate a portion of their earnings to causes that benefit society as a whole. The term "Corporate Social Responsibility" (CSR) refers to the concept of businesses voluntarily addressing issues of social, environmental, and health impact in their company strategy (policy), operations, and relationships with stakeholders. What society currently expects of businesses in terms of economics, law, ethics, and discretion is all part of what we call "social responsibility".

V. ACCOUNTING CHALLENEGES IN THE COMPANIES ACT, 2013

1. On the average profits of the previous three years, 2% is calculated for Corporate Social Spending.
2. Profits are determined according to the provisions of Section 198.
3. Corporate Social Responsibility expenditures must be categorized as allowable expenditure.
4. The expenses incurred are exempted from Income Tax.

VI. IMPLEMENTATION BENEFITS

Companies that adopt a social reporting standard may see benefits including:

1. Assessing sustainability performance in a more streamlined and accurate manner.
2. Improved performance evaluations in terms of objectivity, consistency, and verifiability.
3. Improved results on environmental sustainability issues.
4. Improvements in the credibility of sustainability reports.
5. Greater precision and dependability in decision-making resources.

VII. CONCLUSION

The IASB's unambiguous support for IFRSs is a step in the right direction toward achieving worldwide parity. The International Accounting Standards Board (IASB) should strongly consider drafting and issuing a new standard that addresses accounting requirements for corporate contributions to social and environmental causes.

There is a clear need for institutional development in every country in order to increase their ability to set standards. Either the IASB should be solely accountable, as it was when it tackled accounting for bearer plants and residential development in the Asian region, or the regulation with regard to accounting for CSR spending should be framed according to local circumstances.

Numerous academics advocate for legally enforceable reporting rules or standards, and several justifications are provided, most of which centre on safeguarding the interests of stakeholders.

Due to India's progress in IFRS convergence, the issue of CSR accounting can be tackled in a methodical fashion.

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