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IDENTIFICATION OF CORPORATE SOCIAL RESPONSIBILITY THROUGH COMPANY'S SOCIAL EXPENSES: UKRAINIAN AND FOREIGN PRACTICES

Nowadays, the companies of all over the world are interested in running their business according to the concept of sustainable development. It influences the decisions they are making in various spheres including social responsibility. Social expenses reflect the level of corporate social responsibility (CSR) of the company. Therefore, the identification and reporting of these expenses in the statements is one of the key issues while running a business.

It is obvious, that the business has a huge impact not only on the small group of consumers, but also on the society as a whole. At first, there was just the fear of the depletion of natural resources. Later the entrepreneurs have realized that they cannot make profits and get other benefits without the contributions to the society welfare. It means they are responsible for maintaining and improving natural, capital and human resources for the present and future generations.

In mid-nineties of the 20th century Gardiner Means stressed the role of corporations and suggested that the big company could not be private entity, it is collective phenomena. In his work "The Corporate Revolution in America", he wrote that the corporations have a hundreds of thousands of workers, stockholders and consumers. Thereafter the corporation cannot be separate from the society. It becomes the one of the social institutes, which is responsible for solving society problems [1].

Last two decades the influence of standards of CSR and business ethics has grown dramatically. International organizations have developed a lot of guidelines and standards, which guide the companies in their activities. For example, G4 Sustainability reporting guidelines, OECD Principles of Corporate Governance, Social Accountability 8000, ISO 26000 Social responsibility etc. As one can see, the legal issues of social responsibility are regulated by the international standards. Ukraine does not have its own guidelines. This kind of legislation does not have a significant impact on the majority of Ukrainian companies. However, if a Ukrainian company has the external relations or has a subsidiary in a foreign country, it is forced to follow the main requirements of international standards. The majority of these standards have voluntary base. Nevertheless, the violation at least one of it can lead to the company's social death and even bankruptcy.

The social responsibility is not just a theory. It requires an effective social performance. The company's social performance has several dimensions: corporate philanthropy, corporate social initiatives, corporate responsibility and corporate policy. It assumes charitable donations to non-profit organizations. For example, the Foundation, which is created by Bill Gates and his wife Melinda, is the nation's largest philanthropic foundation. Social initiatives are mostly connected with the company's business sphere, for example, it can minimize its harmful impact. Corporate responsibility includes everything from hiring the workers to making ecological products, minimizing the

influence of pollution, providing a safe work environment and economizing energy and water. Corporate policy refers to the position a company takes on social and political issues [2, p. 99].

Obviously, everything that has to do with acting responsibly within society requires the expenses. This performance cannot be successful without spending on it. If the company spent some resources on CSR activities, they would be the social expenses of the company. It is interesting to pay attention to the fact that the effect from the expenses spent for social events can overcome the effect of advertising costs.

Social expenses can be directed to economic development, for example, through funding of innovations or managing risks. Another direction is ecologic sphere that assumes expenses on technologies, which do not pollute air, ground or water and minimize the wastes of the company. In addition, the investments in non-profit organizations is a part of social expenses, which are directed on social progress.

All these expenses should be reported in a proper way. In Ukraine and other countries, the expenses on CSR activities are not included into Chart of accounts that is they do not have a separate account for accumulation. Accounting for social expenses is carried out through 949 "Other expenses of operating activity" account. However, this account includes a variety of other expenses that are not related to the social ones. The same situation with financial statements. Income statement in Ukraine and other foreign countries include item "Other operating expenses" without the specification of the social expenses. We believe that this way of reporting social expenses is inappropriate. It is not effective one because it is difficult to estimate the level of CSR or proportion of these expenses at least.

The problem of identification of social expenses in company's statement is solved with the help of the social reports or non-financial statements. Such kind of reports appeared more than thirty years ago in the chemical industry. In Ukraine, the first social report was published by holding "System Capital Management" in 2005. One of the first social reporter was "NadraBank" according to GRI [3, p. 33]. Social reporting in Ukraine is growing, but it does not keep pace with the foreign countries.

There are three types of non-financial reporting. They can be created according to the international standards of sustainability, as a complex report or in a voluntary form. The last one is the most popular among all companies, particularly in Ukraine, because it does not need a social audit. In contrast, the standardized report is more comparable with other international reports, which allows to identify company's social rating. The most applicable are GRI, United Nations Global Compact, AA1000, SA8000 and Sunshine Standards.

The social reports of voluntary form are different from each other. The indexes are used selectively. Irrespective of the insufficient quantity or lack of measurement in monetary units, the social report is useful for those users who cannot understand financial indicators.

It is possible to avoid this disadvantage by creating integrated report of both financial and social statements. For instance, listing on Johannesburg Securities Exchange requires preparing complex report, which includes financial statements and statements of sustainable development. Also, the big companies in France, Great Britain and Denmark are obligated to add information about CSR to their financial statements [3, p. 31]. It is necessary to design the special legislation for social reporting in Ukraine either.

To sum it up, the identification CSR through company's social expenses is rather important because it helps make company's reputation better. It stimulates the demand for goods and services more effectively than the traditional marketing methods. In addition, the level of social expenses are interesting not only for business parties, but mainly for public and charitable organizations. Through their cooperation, it will be easier to direct money to those social programs, which bring maximum benefits for the whole society and particularly for the company. That is why it is mandatory for Ukrainian big companies to take into account the international social reporting standards or design its own in accordance with the national accounting and reporting peculiarities.

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