

3rd Parahyangan International ACCOUNTING & BUSINESS CONFERENCE 2017

SOCIAL AND ENVIRONMENTAL ACCOUNTING AND RELEVANCE VALUE: AN ANALYSIS IN LATIN AMERICA

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Abstract

With the emergence of the Social and Environmental Accounting discipline you can perform analysis of the accounting information in the non-financial matters, providing with their tools the analysis of transparency and legitimacy to the decisions of the organizations regarding the social and environmental information.

This research proposes to investigate the evolution that is observed in the disclosure of Social and Environmental Information (ISA) in the financial system, analysing the sustainability reports of the entities contributors in Argentina, Chile and Brazil, during the years 2005 to 2015.

The search for the relationship between the disclosure of social and environmental information, and the relevance values of their actions, taking the Ohlson model, expressed the need to find the information through reports or sustainability reports submitted by them and the contributions of its shares in the stock market, as secondary sources of information accessible to the demands of this research.

This work integrates the research project, and it is expected to find no evidence to establish the link between social and environmental information and the impact on the valuation of the entities contributors between the years 2005 and 2015, understanding that such voluntary reports positively affect the development of the organization.

Keywords: *disclosure of social and environmental information, sustainability report*

JEL Classification: *Q56*



INTRODUCTION

From the last decades of the 20th century, the analysis of accounting has seen changes in the edges that cause changes in the determination of the decision-making on the part of the different users of the information she provided through the accounting reports.

In this sense, the traditional accounting that focuses on the analysis in the economic and financial aspects of the accounting information from the organizations, has been limited in the disclosure of non-financial aspects. Therefore, with the emergence of the Social and Environmental Accounting discipline you can perform analysis of the accounting information in the non-financial matters, providing with their tools the analysis of transparency and legitimacy to the decisions of the organizations regarding the social and environmental information. The Social and Environmental Accounting proposes the preparation and dissemination of information

On the interactions and activities of a social, environmental, linked to human resources, to the community, customers, among others, of an organization and, where possible, the consequences of these interactions and activities.

The Social Accounting can contain financial information, but it is most desirable that consists of a combination of non-financial information and quantifiable, on the one hand, and non-quantifiable and descriptive information, on the other. (Gray et al, 2003)

There is a history of research related to the increasing interest by users of the information according to the social and environmental aspects of the accounting information.

Therefore, this research proposes to investigate the evolution that is observed in the disclosure of Social and Environmental Information (ISA) in the financial system, analysing the sustainability reports of the entities contributors in Argentina, Chile and Brazil, during the years 2005 to 2015.

CONTRIBUTION OF THIS RESEARCH

Inquiries regarding the information disclosed by entities contributors with respect to social and environmental issues are formulated in terms of finding how is the representativeness closest to that reality so that it is reliable, useful information for the



interest groups or stakeholders about the impacts of their activities, projects, from the approach of CSR.

The aim of this study is linked with the social construction of accounting and its credibility as a source for decision-making on the part of the users of such information; decisions of social, economic, ecological, technological, political, contributing to the construction of the quality of life of each one of the agents associated with the entity (the workers, investors, the State, institutions, professionals, the nature, consumers, citizens) (Brown, 1992).

The social relevance of this type of study was put in evidence by the so-called crisis of confidence in the accounting, caused by the presentation of fraudulent accounting information in internationally renowned companies and their complicity with the economic crisis which occurred subsequently (Bautista, 2010).

The freedom to achieve the credibility of accounting information, is exercised by the capacity that the body has to apply the accounting rules, adapting to them by the goodwill (Sen, 1996), and its subsequent control on the part of the parastatal institutions, such as ethical-political intervention of the State.

The disclosure of social and environmental information by financial institutions listed has its significance for different interest groups or stakeholders, and this is evident in the existence of corporate sustainability indices, which incorporates social responsibility criteria, in the securities markets where the organizations listed. The incorporation of these indicators to reveal the implications of this information, it is a variable of interest for all stakeholders, which shows the development achieved in the subject.

The environmental aspect is the greater interest of analysis therefore focused interest groups linked with economic organizations that measure and report the social and environmental impacts of its activity results.

The study of the characteristics and the knowledge of the variables that are taken into account for its construction are of importance for the comparative analysis between the various markets of information and its variation over time according to the profile of the stakeholders to whom it is directed.



The relationship between the indicators presented and the decisions of the stakeholders in the analysis and interpretation of results in the need to implement ad hoc systematized information aimed at investors informed, causing new analysis and the use of empirical methodology in the study of this topic in our area of influence.

QUESTIONS PROBLEMS

- What are the characteristics of the indicators of disclosure of social and environmental information of the entities contributors in Argentina, Chile and Brazil?
- What are the interest groups or stakeholders involved in such disclosure?
- What is the relationship between the evolution of the disclosure of the ISA and the relevance values of the entities contributors listed in Argentina, Chile and Brazil?

HYPOTHESIS

There is a positive relationship between the evolution of disclosure of the ISA and the relevance values of the actions of entities contributors in Argentina, Chile and Brazil.

GENERAL OBJECTIVE

To analyze the evolution of the disclosure of social and environmental information (ISA) by entities contributors in Argentina, Chile and Brazil during the years 2005-2015.

SPECIFIC OBJECTIVES

- Identify instruments of disclosure of social and environmental information in the companies of both countries and its variation in the period
- To comparatively analyze and over time the interest groups (stakeholders) involved in such disclosure
- Establish the evolution of the relationship between the dissemination of the ISA and the listing of companies in both countries from the Model Olhson



BACKGROUND

The research in the accounting discipline has evolved over the past century, from a perspective of research "a priori" oriented to the objective measurement of the benefit and is linked with the development of normative theories, to a perspective of empirical research, which is given by the change of user-oriented paradigm of the accounting information, pointing to the achievement of the greatest possible use of the information. (Elchaimi, 2002).

For its part, the epistemological status of Accounting is still a matter of debate (Casella, 2012; Tua Pereda, 2004; Pinto Perry, 2011), a starting point for establishing the location of the social and environmental accounting in the field of accounting as a discipline, is located in the interpellation to establish which is the object of study of the accounting, that is to say, that it addresses.

In this sense, from a teleological perspective of accounting, this is to register the economic facts that made the economic agents. These registrations are presented through the accounting information, which reveals the financial situation, economic and social entities. As Gomez (2007, p.36) "The diversity of resources and the multiple relationships of humans with the resources and among men, are reduced to the unity by means of the "representation-construction" of the reality that makes the double-entry accounting".

The observation of this accounting information, the various users of the same, according to the paradigm of utility (Tua Pereda), can make decisions in the economic, financial and social respect the economic agent.

In this sense, the debate regarding the field of membership of the social and environmental accounting is still valid. This can be seen in the work of Gray (1999), in which it performs a historical review of the evolution in the conception of this discipline and the discussions regarding the origins of the same, differing from the financial accounting under the new social perspectives that covers its analysis.

The social and environmental accounting is evident from the new needs that users require the accounting information based on a level of equity and social inclusion, rather than in the service of the market, both internal and external users, combining non-financial information and quantifiable and non-quantifiable and descriptive information (García Fronti, 2006), including an interdisciplinary analysis, related to the concept of social responsibility -



derived from the discipline of administration - and the issues of the impact of economic activities on the environment.

This feature to consider other disciplines is related with the information provided by the social accounting, the sustainability reports. The preparation and publication of information with regard to the economic, social, environmental, human resources and the demands of different users, require that the social and environmental accounting considers both the issues of financial information such as those that are not of this kind, and to do this, is to observe the issues of those other disciplines.

Through the sustainability reports, the social and environmental accounting responds to the different demands of users (stakeholders) with regard to the information of the sending organization of those reports. Interest groups are dynamic and vary in relation to each organization, therefore, the sustainability reporting are adapted to these demands, and social accounting interacts with the organization through the revision of the system of internal information in order to be able to disclose information about sustainability tool to the stakeholders of the same.

For this reason, the relationship between financial accounting and social and environmental accounting, based on reports from mandatory financial information, and the demands of sustainability reports on the part of the stakeholders, power to the social and environmental accounting as significant discipline that disseminates this instrumental accountability of social responsibility.

Under that the reports of financial information, mandatory, do not provide for the demands of the stakeholders in relation to the values of organizational, social and environmental policies of the Organization, the impact of that organization in generations, the social and environmental accounting articulates from the financial information, quantitative and qualitative information, in order to achieve the emission of information of sustainability.

On the basis of that information, there is a materiality matrix that identifies the issues relevant to the stakeholders.

For its part, the *theory of the legitimacy of* the congruence between the values system of an organization and of the society of which it forms a part. For the company to keep this



legitimacy, must address strategies to be developed in a positive way and without giving rise to the handling, as can be the change of public perception in your favor, manipulate and hide information. The disclosed information social and environmental organizations, on a voluntary basis, this theory begins to be seen as a natural justification of these actions. Many organizations in search of legitimacy are beginning to develop programs of corporate responsibility, although this is not sufficient reason is necessary to begin to improve the image of the same.

Meanwhile, in the decade of 1980 was the vision of the *Social Contract* as the means by which it is estimated there is a covenant between the organizations and the society, research, finding that the reciprocal expectations of both parties under the assumption that the organizations were interested in maximizing the benefits and minimizing the risks, creating a balance between the two.

The *stakeholder theory* or interest groups considered to those groups or individuals can affect or be affected by the economic activities of the entity (D'Onofrio, 2014), and is based on the concept of social responsibility, which comes from management, and that it is under an ethical approach analyzes the manifestations of the entity in relation to the organizational strategies toward sustainable development, that is to say, to perform economic activities with the least environmental and social prejudice, for future generations and considering the profitability of such activities.

Interest groups are determined in function of the power, legitimacy and the urgent claims made before the entity.

THEORIES OF RELEVANCE VALUES

The emergence of these theories is contextualized with the change of paradigm in accounting research, glimpsing the attention to the usefulness of accounting information for decision-making.

There are derived from theories of analysis with respect to the valuation of the shares of listed companies on the basis of the information available to them, recognized as theories of relevance values. They admit that the accounting result is a good surrogate of the economic result and that the net asset is of corporate wealth. (Garcia, 2005)



Analyze how the accounting variables explain the market prices. There are several ways to measure this relationship, and its basic model would be:

$$P_{i,t} = \alpha + \beta_1 BV + \beta_2 EARN_{i,t} + \varepsilon_{i,t}$$

Where, P = measure of performance possible future, BV = Heritage PS, EARN = EPS, $\varepsilon_{i,t}$ = error term $n(0,1) < \text{Expectation } 0 < \beta_1 > < \beta_2 >$ is the multiple of the result - The goodness of the model (R²) can also be used as a measure of quality, the more, the better the outcome

THE EBO.

One of the theories of relevance evaluative reconciles the fundamental analysis with the theory of valuation. With the fundamental analysis it is understood that the determination of the intrinsic value of the titles were generated from the available accounting information in the financial statements.

In the perspective of measurement through the so-called model EBO, fundamental analysis is reconciled with the theory of valuation, to the extent that it recognizes the need to predict future abnormal results of the company as a prerequisite for the determination of the intrinsic value of their actions

THE MODEL OHLSON (1995)

According to this model, with the hypothesis of balance in the market, analyzes the existence of implicit price of shares, "who are the ones who ultimately determine the present value of an uncertain future dividends, anticipated future dividends being an attribute of capitalization generally valid" (Larrán y Piñero, 2005).

The development of this model is a formula of values in which the price quoted is a function of the expected future dividend adjusted according to the level of risk and current values using a structure based on rates of return to market risk-free

$$P_t = \sum_{i=1}^{\infty} \frac{E_t(\tilde{d}_{t+i})}{(1+r_f)^i}$$



The dividends is an attribute that determines the value of the titles such as weighting of the flows of income that would have investors and the company. This variable may be replaced by other of an accounting nature becoming the model to a different description.

As well, there are the models of capitalization of profits, where the dividends are replaced by theoretical concepts of profit, establishing and specifying the relationship between dividends and profit to be used. (AECA, 2006)

In addition, a simple way to estimate the future expectations of results, based on accounting information, focusing on the determinants of the value of the organization: the equity and the result, which expresses the value of the actions of the organization on the basis of contemporary accounting information. This expression states that the value of the actions of the organization must be equal to equity, adjusted for the current profitability (measured through the abnormal result) and by the "other information" that modifies the prediction of future profitability.

This "other information" is the one that will deal with the reports of ISA and the sustainability reports submitted by the financial institutions listed companies analyzed.

METHODOLOGY

In this research we propose a scheme of descriptive correlation study, on the basis of the behavior of the variables of the study and how they relate to each other. (Ynoub, 2015)

As outlined in the problem, the search for the relationship between the disclosure of social and environmental information by contributors in Argentina, Chile and Brazil, and the relevance values of their actions, taking the Ohlson model, expressed the need to find the information through reports or sustainability reports submitted by them and the contributions of its shares in the stock market, as secondary sources of information accessible to the demands of this research.

The *units of analysis* are the entities contributors of these countries, which, being of recognition feasible in the light of the information provided by two securities markets, as shown in the total population between the years 2005 and 2015, for the overall objective of the investigation.



For the development of the objectives the following data arrays, which will be diachronic, apply for the years 2005 to 2015, for the securities markets of analysis, namely as outlined below, in order to answer the questions:

-What are the characteristics of the indicators of disclosure of social and environmental information of the financial entities contributors in Argentina?

Table 1

UNIDAD DE ANALISIS	VARIABLES	VALOR (V)	DIMENSIONES / INDICADORES	
Empresas Financieras cotizantes en Mercado Capital Argentino	Características Social	tipo de guía aplicada GRI	Valor s/GRI	
	Características Ambiental	tipo de guía aplicada GRI	Valor s/GRI	
	Modelo de Ohlson	Precio de cotización a T1		
		Precio de cotización a Tn		
		Valor Activos		
	Valor Pasivos			

The analysis is replicated to the entities in Chile and Brazil.

- What are the interest groups or stakeholders involved in such disclosure?
- What is the relationship between the evolution of the disclosure of the ISA and the relevance values of the entities contributors?

Table 2

UNIDAD DE ANALISIS	VARIABLES	VALOR (V)	DIMENSIONES / INDICADORES	VALOR (I)
Empresas Financieras cotizantes en Mercado Capital Argentino	Divulgacion ISA	instrumentos utilizados (GRI)		
		Indicadores utilizados		
		stakeholders		
	relacion entre divulgación y cotizacion	relacion simetrica	precios de cotizacion	según la relacion de Ohlson
		relacion directa	valor activos	
		valor pasivo		

The development of the data array comes with the application of the Ohlson model for the resolution of the problem.

DATA ANALYSIS

We will analyze the variables of the disclosure of social and environmental information submitted by the contributors of Argentina, Chile and Brazil, looking for evidence of impacts that it can generate in the relevance values of the Ente



CONCLUSIONS

This work integrates the research project (2017/2019) that the authors are being drafted, and it is expected to find evidence to establish the link between social and environmental information and the impact on the valuation of the entities contributors in Argentina, Chile and Brazil between the years 2005 and 2015, understanding that such voluntary reports positively affect the development of the organization. The development of the data array comes with the application of the Ohlson model for the resolution of the problem.

On the basis of the identified impacts and comparisons that can be made between socially responsible financial contexts and those that do not are, you will try to understand the potential impacts of the social responsibility in Argentina and other Latin American scenarios addressed.

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