



THE IMPACT OF ACCOUNTING DISCLOSURE OF SOCIAL RESPONSIBILITY ON THE EVALUATION OF THE COMPANY'S SOCIAL PERFORMANCE-AN APPLIED STUDY ON THE SOUTHERN REFINERIES COMPANY / BASRA REFINERY

Saja Ibrahim Abbood

saja.i.abod@fgs.stu.edu.iq

Southern Technical University/ Basra

Management Technical College

Department of Accounting Techniques

Imad A.S.AL-mashkoo

emad.almashkor@stu.edu.iq

Southern Technical University/ Basra

Management Technical College

Department of Accounting Techniques

Article history:	Abstract:
Received: 28 th September 2024	The aim of the research is to show the effect of accounting disclosure of social activities in the financial statements, and to measure social performance indicators. The researchers relied on the method of separation and quantitative disclosure of social responsibility costs. The research was applied to the Southern Refinery Company as a research sample for the purpose of applying the research. The researchers recommended enacting laws to oblige companies to give priority to social performance and disclose expenses in the financial statements to achieve the goals of social responsibility, and to disclose social performance in the financial statements.
Accepted: 26 th October 2024	

Keywords: Corporate social responsibility, accounting disclosure, social performance evaluation

1. THE INTRODUCTION

Social responsibility emerged as a result of ideas and movements aimed at protecting society, consumers and the environment, and refers to the role of the unit towards society. Interest in social responsibility increased in the twentieth century due to the failure of economic units to meet social needs, which is the result of crises, problems and new circumstances, which led to increased awareness and social and environmental concepts based on responsibility. The development of social accounting also represents a major challenge due to the measurement of social costs, which is a prominent contemporary issue with limited research.

2. CORPORATE SOCIAL RESPONSIBILITY

2.1 The concept and definition of social responsibility:

(Wirba) explained that the background of corporate social responsibility dates back to ancient times, enhancing the brand's reputation. It is a voluntary concept in which companies contribute to society, balancing economic, environmental and social necessities, which enhances social welfare. (Wirba, 2024: 7429) . Social responsibility is also known as (determining the behavior of the business sector through continuous commitment to the requirements of community development and improving the level, quality and living conditions of community members by achieving growth in social, economic and ethical aspects). (Maryam, 2024: 62), and (Ukpe& others) see social responsibility as Integrated reporting combines social, environmental and economic dimensions, adding value to the company through integration with its activities and demonstrating its responsibility towards stakeholders.(Ukpe& others, 2024:39)

2. 2 The importance of social responsibility:

Social responsibility is of great importance to companies, communities and countries. It strengthens relationships, improves the work environment and enhances reputation. Companies benefit from social responsibility by increasing



employee loyalty, profits and reputation. Communities benefit from improved services, social solidarity and quality of life. Countries benefit from reducing burdens and technological development. (Abdul Haq, 2023: 23-24)

2. 3 Objectives of social responsibility:

There are many objectives related to social responsibility accounting that can be summarized as follows: (Mubaraki and Ashasha, 2024: 12) A.This objective seeks to increase transparency in social reporting, provide data to investors and stakeholders, and help regulators identify social costs and benefits.B. Determining the company's net social contribution includes internal and external benefits and costs, beyond traditional accounting. It evaluates social performance by aligning strategy with social priorities, taking into account economic and social welfare.

3. Accounting Disclosure

3.1 Concept and Definition of Accounting Disclosure

The concepts of accounting disclosure vary due to different points of view on its concept and limits. The importance of disclosure has increased after the collapse of companies and the increasing influence of the capital market, which made it a valuable source for decision-making and research. The most important definitions related to accounting disclosure can be identified:

(Al-Qarawi) defined accounting disclosure in general as the transfer of important information from the company to stakeholders and investors, despite their multiple needs, in a language that is understandable to make appropriate decisions at the right time. (Al-Qarawi, 2024: 11) Accounting disclosure (Jebur & Abd) was also defined as: (Clarity and lack of ambiguity in presenting accounting information when preparing accounts, accounting reports and financial statements). (3: 2024, Jebur & Abd)

3.2 The importance of accounting disclosure

Accounting disclosure is the basis of Generally Accepted Accounting Principles (GAAP), and is an integral part of financial reporting, providing a complete set of financial statements, providing full disclosure of financial data and information and the company's activities. It helps investors, accountants and government agencies make appropriate decisions, and benefits shareholders by improving information, influencing investor behavior and increasing liquidity. For stakeholders, disclosure helps avoid financial scandals, achieve financial stability, and improve understanding of the company's activities. Inaccurate disclosure can negatively affect the company's value and confidence in decision-making.(Sundari et al,2024:274)

3.3 Objectives of accounting disclosure

Accounting disclosure achieves the following main objectives: A. The main purpose of accounting disclosure is to stimulate market activity by reducing asymmetry in the information that companies need related to their business. B. Providing measures for items recognized outside financial reports, including the fair value of balance sheet items, to facilitate comparisons, eliminate ambiguity, and avoid misleading presentation of financial information. (Hussein and Aziz, 2024: 346)

4. Social performance evaluation

4.1 Concept and definition of social performance evaluation

The continuity of companies is linked to their relationship with various stakeholders who have an impact on the level of their performance, meaning that the performance of companies has extended to include social performance within the framework of social responsibility. Social performance has been defined as: The activity of the economic unit affects stakeholders (managers, customers, shareholders, etc.) from a social perspective, as the economic unit transforms its mission into a reality that is consistent with accepted values, serving society, improving financial services, achieving benefits for customers, and social responsibility. (Hashem and Abdullah, 2021:7)

4.2 The importance of social performance evaluation:



Social performance evaluation improves services and delivery methods. It shows the social adaptation of the company to its environment, allowing timely resolution of problems. Social performance measurement improves employee-customer relations by providing explanations for programs and costs. This process can achieve social progress by addressing economic unit damages and providing public contributions and services. (Kazem, 2015: 25)

4.3 Social Performance Evaluation Indicators

Unit performance is evaluated using indicators that measure and improve performance. Multiple indicators are necessary because of the complexity of economic phenomena. The needs and requirements of stakeholders are met by describing them, and performance indicators must exhibit certain characteristics. A. Company objectives and strategy. B. Activity completion efficiency.

C. The company adapts to market requirements. (Abdullah& Awda , 2016: 504)

The practical side

The Southern Refineries Company was established in 1969. It is a public governmental company affiliated to the Iraqi Ministry of Oil. It refines crude oil to produce petroleum derivatives ,The company provides a variety of petroleum products, including liquefied gas, gasoline, and fuel oil. The research analyzes the records of the Southern Refineries Company to collect CSR costs, categorized into four areas: Human resources, environmental contributions, community involvement, and product or service contributions , The researchers used the Gray model to measure social costs, which were separated from economic costs in the income statement, due to the company's large transactions and the inability to provide a comprehensive list of social costs. The list of social costs for the year 2023 for the company was prepared as follows:

Disclosure form for measuring social costs:

Table (1) List of social costs of the Southern Refineries Company from 1/1/2023 to 12/31/2023

cost element	Partial amount in dollars	Total amount
First: Elements of social costs for the workers' field:		
Employee salaries	18,608,408,076	
Employee Rewards	425,964,406	
Workers insurance	46,595,944	
Food supplies for workers	82,855,286	
Medical supplies for workers	38,059,302	
Transfer of workers	309,012,304	
Travel and delegation for employees for training and study purposes	61,222,000	
Travel and delegation of employees for business purposes	134,005,750	
Stationery	4,478,732	
Drinking water	45,809,492	
electricity	400,575,061	



Maintenance of transportation and transfer vehicles	319,555,500	
Computer maintenance	1,645,000	
Publish and print	13,100,293	
Rental of transportation and transfer	2,325,000	
Maintenance of machinery and equipment	42,094,450	
Other service expenses	33,609,125	
Total social costs of the workers' sector		20,569,315,721
Second: Elements of social costs in the field of environment:		
Environmental protection costs	1,223,10000	
Cleaning services costs	688,142,000	
Tree planting costs	11,500,000	
Total social costs of the environment		825,452,001
Third: Elements of social costs in the community sector:		
External aid	414,325,000	
Internal subsidies	17,605,2000	
Celebration banks	24,000,000	
Total social costs of the community		343,302,004
Fourth: Elements of social costs for the customer sector:		
Quality Management and Institutional Development Costs	272,132,069	
Material Movement Division Costs	2,285,070,894	
Production Control Department Costs	1,521,923,612	
Exhibition participation expenses	11,207,000	
Total social cost elements for the customer area		4,090,333,575
Total social costs		25,828,403,301

The company separated social costs from economic costs to make them easier to read and understand, and disclosed .total social costs of \$25,828,403,301

To evaluate the company's social performance, the following equations were used:



1- What is the measurement of social performance efficiency towards employees=

Total social performance costs / total number of employees.

$20,569,315,721 \div 6,302 = 3,263,935$ dollar/factor

*Total number of employees in the company \div 2500 workers Exporter Company Management Director

2- Measuring the efficiency of social performance of the surrounding environment=

Total costs of social performance towards the surrounding environment \div Area of the area surrounding the company.

$825,452,001 \div 1000 = 825,452$ dollar /square meter

**The area surrounding the company is 1,000 square meters, source: company management.

3- Measuring the efficiency of social performance towards the surrounding community =

Total costs of the company's social performance towards the community \div Total number of individuals in the surrounding community.

$343,302,004 \div 100,000 = 3,433$ dollar / individual

***Total number of individuals in the surrounding community = 100,000 citizens (individuals):

Approximate source: Company management.

4- Measuring the efficiency of the company's social performance towards customers=

Total costs of social performance towards customers \div Total sales of the company in tons during the year

$4,090,333,575 \div 227,061 = 18,014$ dollar / ton

****The company's total sales in tons during the year = 22,7061 tons annually during Source: Company management.

The unit's share of social costs for each unit is shown in the following table:

جدول (57) تحديد نصيب الوحدة الواحدة من التكاليف الاجتماعية للعناصر الأربعة (العاملين، المجتمع، الزبائن، البيئة)

	Details	Total costs	The scale used	Unit share
1	Total social costs towards employees	20,569,315,721	6,302 workers	3,263,935 dollar/factor
2	Total social costs towards the surrounding environment	825,452,001	1,000 square meters	825,452Dollar /square meter
3	Total social costs towards society	343,302,004	100,000 people	3,433 dollar / individual
4	Total social costs towards customers	4,090,333,575	227,061 tons	18,014 dollar / ton
	Total	\$25,828,403,301		

-The Southern Refinery Company measured social costs towards workers in 2023, which totaled \$3,263,935. Despite having 6,302 workers, the company does not recognize the importance of their contribution. It is important to consider the type and purpose of the expenditure, as some costs have a social component, but are reported as economic costs.

-The environment contributed \$825,452 per square meter, with the company having 1,000 square meters to improve and maintain.

- The company calculated the social costs, allocating \$3,433 dinars per person to achieve social care for 100,000 members of society.

- Social cost measurement towards customers, \$18,014dinars/ton.

Social costs can be measured in four areas: workers, environment, community and product. They are expressed in the cost report and total \$25,828,403,301, This highlights the need to separate social costs from economic costs to show the true value of the company.

- **Social performance evaluation according to the method of separating social responsibility costs:**



Social performance can be evaluated using some of the following financial ratios:

1- Net profit to operating assets ratio:

- According to traditional lists:

$$\begin{aligned} \text{Net profit to operating assets ratio} &= \text{net profit} \div \text{Operating assets} \\ 600,697,837,905 \div 7,154,129,464,239 &= 8.4\% \end{aligned}$$

-After separating social costs:

$$\begin{aligned} \text{Net profit to operating assets ratio} &= \text{net profit} \div \text{Operating assets} \\ 3,53,505,872,000 \div 4146,508,216,000 &= 8.5\% \end{aligned}$$

The real operating profit of the Southern Refinery Company rose to 8.5 % from 8.4% after eliminating social responsibility costs.

2- The company's revenue power:

The company's revenue strength is based on net profit from operations, measuring the impact of social responsibility costs on the revenue account.

- According to traditional financial statements:

$$\begin{aligned} \text{Working assets turnover ratio} &= \text{Net sales} \div \text{net working assets} \\ 2,018,067,932,272 \div 7,154,129,464,239 &= 28.2\% \\ \text{Operating profit margin} &= \text{net profit} \div \text{net profit} \\ 600,697,837,905 \div 2,018,067,932,272 &= 29.8\% \\ \text{Revenue power} &= 28.2\% * 29.8\% = 8.4\% \end{aligned}$$

- After separating social costs:

$$\begin{aligned} \text{Working assets turnover ratio} &= \text{Net sales} \div \text{net working assets} \\ 2,,018,067000,000 \div 7,,146,508000,000 &= 28.2\% \\ \text{Operating profit margin} &= \text{net profit} \div \text{net profit} \\ 644,505,872,443 \div 2,018,000,000,000 &= 31.9\% \\ \text{Revenue power} &= 28.2\% * 31.9\% = 8.9\% \end{aligned}$$

The company's earnings rose 0.5% under the proposed financial statements.

Accounting disclosure of corporate social responsibility costs affects the social evaluation of financial statements. Corporate disclosure is good, covers all aspects, and makes information accessible to users. Traditional ratios are improved by separating costs, resulting in better ratios.

Net profit margin increased from 8.4% to 8.5% after separating social responsibility costs, indicating improved management efficiency. While operating profit margin increased from 29.8% to 31.9% indicating better profits from core activities. The company's revenue power ratio increased by 8.9 % after separating social responsibility costs.

CONCLUSIONS:

1. Social responsibility accounting has received the attention of researchers, economic units and surrounding parties, which indicates its importance.
2. Accounting disclosure affects the impact of social responsibility areas on corporate social performance.
3. Accounting disclosure of human resource training costs, work-related accidents and insurance compliance reflects a fundamental dimension of corporate social performance.
4. Social responsibility accounting is a set of concepts, standards and methods used to measure a company's social performance and disclose it in financial statements to inform stakeholders.
5. Social accounting disclosure is the method by which a company can inform society about the extent to which the company fulfills its social responsibility.

RECOMMENDATIONS:

1. The necessity of obligating companies to prepare social financial statements to evaluate social performance and report social activities and results to internal and external beneficiaries to make appropriate decisions.
2. The need to enact laws that require companies to prioritize social performance, allocate funds, and disclose financial data to achieve social responsibility, in line with their profit-based nature.
3. The necessity of disclosing social impacts through special lists that highlight objective outcomes in the areas of workers, society, environment and products. This information should be available to the parties benefiting from it



to develop social plans and programmes, and to evaluate the contributions of economic units to their social obligations.

4. Companies must prioritize social responsibility, disclose costs in financial statements, and spread awareness within the company.

SOURCES:

1. Abdelhak, Saadi, Using Social Responsibility Accounting To Improve Employee Performance Case Study: Directorate Of Social Affairs Sonatrach - Biskra Agency - Phd Thesis, University Of Mohamed Khider - Biskra, Faculty Of Economics, Business And Management Sciences, Pp. 138-139, 2023.
2. Abdullah, Hanan Sahbat And Awda, Najwa Mahmoud Awda, The Role Of Corporate Governance In Evaluating The Social Performance Of Economic Units, Journal Of Economic And Administrative Sciences, Journal Of Economic And Administrative Sciences, Issue 97, Volume 23, 2017.
3. Ali Faron Abd , Naser Mohsin Jebur , "Accounting Disclosure In The Financial Accounting System And Its Role In The Quality Of The Management Decisions Of The Iraq Stock Exchange", University Of Al-Qadisiyah, World Economics & Finance Bulletin (Wefb)Vol. 30, ,Issn: 2749-3628 , 1-9 , 2024.
4. Al-Qarawi, Shaza Ismail Abdo, "A Proposed Approach To Improving The Quality Of Accounting Disclosure By Reducing The Phenomenon Of Information Asymmetry By Relying On Blockchain Technology", Faculty Of Commerce, Girls' Branch, Al-Azhar University, Scientific Journal Of Commercial Research And Studies, Volume 38, Issue 1, 2024.
5. Bou Souf, Maryam, "Social Responsibility As A Strategy For Managing The Mental Image Of The Algerian Economic Institution", University Of Mohamed Lamine Debaghine - Setif 2, Scientific Observer Volume, 59-71, 2024.
6. Hashem, Saddam Katea And Abdullah, Ihab Hashem, "The Reflection Of Accounting Disclosure Of Social Responsibility In Evaluating The Performance Of Economic Units", University Of Nahrain, College Of Business Economics, Baghdad, Iraq, Journal Of Entrepreneurship For Finance And Business, Volume 2, Issue 1, Iraq, 2-15, 2021.
7. Hussein, Salim Salim And Aziz, P. Razin Sheikh Mohammed, "Accounting Measurement And Disclosure In The Framework Of International Accounting Standard (IAS8) Accounting Policies, Changes In Accounting Estimates And Errors – And Its Impact On Enhancing The Quality Of Financial Reports / A Survey Study Of The Opinions Of A Sample Of Academics, Accountants, Legal Professionals And Accountants Working In Companies In Erbil City", Erbil Technical University, College Of Administrative Technology / Erbil, Kurdistan, Iraq, Polytechnic Journal For Humanities And Social Sciences, Volume 5, Issue 1, 342-353, 2024.
8. Kazem, Hind Jameel (2015) "Strategic Performance Evaluation Of The Ministry Of Culture: A Case Study In The Ministry's Diwan" Master's Thesis, University Of Baghdad.
9. Mubaraki, Iman And Ashasha, Dunya, The Problem Of Measurement In Social Responsibility Accounting, Case Study Of Condor Electronics Corporation - Wilaya Of Bordj Bou Arreridj -, A Thesis Submitted To Complete The Requirements For A Master's Degree, Mohamed El Bachir El Ibrahimy University, Bordj Bou Arreridj, Faculty Of Economics, Business And Management Sciences, 2024.
10. Siti Sundari, Widi Hidayat, Snalita, Dian Anita Nuswantara, Pharatt Run, Does Human Resources Accounting Disclosure Deter Investors' Decisions In The Banking Sector?, Jurnal Ekonomi Pendidikan Dan Kewirausahaan Doi: 10.26740/Jepk.V12n2.P273-296, 2024.
11. Stella Anthony Ukpe , Emmanuel O. Emenyi, Usen P. Umo, Corporate Social Responsibility Disclosure And Financial Performance Of Listed Industrial Goods Firms In Nigeria, International Journal Of Economics, Business And Social Science Research Volume: 02, Issue: 03 May - June ,2024
12. Wirba , Asan Vernyuy , Corporate Social Responsibility (Csr): The Role Of Government In Promoting Csr , Journal Of The Knowledge Economy 15:7428–7454, 2024 .