

Conference Programme & Abstracts

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Contemporary Issues in Accounting Studies: Sustaining Accounting Relevance

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SCHOOL OF ACCOUNTING
UNIVERSITI ULTRAMARINA MALAYSIA



30th ANNIVERSARY

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Conference Programme

MONDAY, 18 August 2014 (DAY 1)

TIME & VENUE	TENTATIVE PROGRAMME
08:00 am – 09:00 am <i>Dewan Tun Hussein Onn (Hall 1)</i>	Participant registration
09:00 am – 10:30 am <i>Dewan Tun Dr. Ismail (Hall 2B)</i>	Opening Ceremony
10:30 am – 11:00 am	Morning Break
11:00 am – 12:30 pm <i>Dewan Tun Dr. Ismail (Hall 2B)</i>	1 st Plenary Discussion Session by Panelists: Corporate Social Responsibility Moderator: Professor Kabiru Isa Dandago <i>School of Accountancy, Universiti Utara Malaysia</i> Panelist 1: Professor James Guthrie <i>Department of Accounting and Corporate Governance, Macquarie University, Australia</i> Panelist 2: Associate Professor Dr. Hasan Fauzi <i>School of Accountancy, Universiti Utara Malaysia</i> Panelist 3: Associate Professor Dr. Faizah Darus <i>Head Asia-Pacific Centre for Sustainability (APCeS) Accounting Research Institute/Faculty of Accountancy, Universiti Teknologi MARA</i>
12:30 pm – 02:30 pm <i>Dewan Tun Hussein Onn</i>	Lunch
02:30 pm – 04:00 pm <i>Dewan Tun Hussein Onn</i>	Keynote Address Professor Maurits van Rooijen <i>CEO (Academic) of Global University Systems BV; CEO/Rector London School of Business and Finance Title: Attaining Eminence and Sustainability Through Business Transformation</i>
04:00 pm – 04:30 pm	Tea Break
04:30 pm – 06:00 pm	1 st Concurrent Session Bilik Negeri Sembilan [Room 4]: Corporate Social Responsibility and Corporate Governance Bilik Pahang [Room 5]: Corporate Finance and Capital Markets Bilik Perak [Room 6]: Auditing and Internal Control Bilik Perlis [Room 7]: Financial Accounting and Reporting Bilik Pinang [Room 8]: Islamic Accounting
07:00 pm <i>Devan Merdeka</i>	Conference Dinner Reception

TUESDAY, 19 August 2014 (DAY 2)

TIME & VENUE	PROGRAMME
09:00 am – 10:30 am	2nd Concurrent Session Bilik Negeri Sembilan [Room 4]: Corporate Social Responsibility and Corporate Governance Bilik Pahang [Room 5]: Public Sector Accounting Bilik Perak [Room 6]: Management Accounting and Costing Bilik Perlis [Room 7]: Taxation Bilik P.Pinang [Room 8]: Auditing and Internal Control
10:30 am – 11:00 am	Tea Break
11:00 am – 12:30 pm	3rd Concurrent Session Bilik Negeri Sembilan [Room 4]: Corporate Social Responsibility and Corporate Governance Bilik Pahang [Room 5]: Financial Accounting and Reporting Bilik Perak [Room 6]: Management Accounting and Costing Bilik Perlis [Room 7]: Accounting Education Bilik P.Pinang [Room 8]: Social and Environmental Accounting and Taxation
12:30 pm – 02:30 pm	Lunch
02:30 pm – 04:00 pm <i>Dewan Tun Dr. Ismail (Hall 2B)</i>	2nd Plenary Discussion Session by Panelists: Issues in Islamic Accounting and Banking Moderator: Professor Ayoib Che Ahmad <i>School of Accountancy, Universiti Utara Malaysia</i> Panelist 1: Tuan Haji Razli Ramli <i>Head/Senior Managing Adviser Syariah Business Advisory Islamic Banking and Finance Institute Malaysia (IBFIM)</i> Panelist 2: Tuan Syed Alwi Mohd Sultan <i>Executive Vice President Corporate Service Division, Bank Muamalat Berhad</i> Panelist 3: Professor Mohamad Hudaib <i>Adam Smith Business School, University of Glasgow</i>
04:00 pm – 04:15 pm	Tea Break
04:15 pm – 05:45 pm	4th Concurrent Session Bilik Negeri Sembilan [Room 4]: Accounting Information Systems Bilik Pahang [Room 5]: Case Studies and Issues in Accounting Bilik Perak [Room 6]: Public Sector Accounting Bilik Perlis [Room 7]: Forensic Accounting Bilik P.Pinang [Room 8]: Taxation
06:00 pm	Closing by Yang Berbahagia Profesor Dato' Wira Dr. Mohamed Mustafa Ishak <i>Vice-Chancellor of UUM</i>





STAKEHOLDER SCORECARD APPROACH TO DEFINING & IMPLEMENTING CSR- AN INDONESIAN CASE¹

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Introduction

CSR has become a legal mandatory for Indonesian Limited Liability Companies since 2007. The decision made by Indonesian Parliament along with government through the 2007 law no.40 triggered business community under Kadin (Indonesian Chamber for Trade and Industry) to appeal Constitutional Court for judicial review of the law especially for the article 74 where the legal mandatory is based upon. The Constitutional Court processed the judicial review and ruled that CSR in Indonesia is still mandatory as stipulated in the article 74 of the law.

In addition to having the article 74 of the 2007 law no. 40, Indonesia Parliament has passed some regulations on CSR. They include the 2000 law No. 17 on income tax, the 2003 law no. 19 on state-owned company, and the 2007 no. 25 on capital investment. However, the reactions of the laws from business players are almost nothing, compared to ones of the 2007 law no.40. Question may rise why the reactions are different for 2007 law no. 40 and other laws on CSR in Indonesia. The reason is that application for the article 74 of the 2007 law no. 40 is for all Limited Liability Companies operating in Indonesia, while the impacts of the laws other than the 2007 law no.40 is for special situation. The investing company under domestic and overseas scheme is an example situation as stipulated in the 2007 law no. 25. Due to the significant and serious impact of the 2007 law no.40 for the business players, the issuance of government regulation to be guiding the article 74 of the 2007 law no. 40 took a long process.

It seems that the Indonesian business players felt no happy with the article 74 of the 2007 law no. 40. And the 2012 government regulation no.47 may be meant to reduce the high tension coming from the business players by focusing the CSR mandatory on the mining companies and

¹ Presented (as speaker) in the Panel Session of The International Conference on Accounting Studies 2014 (ICAS 2014) 18 - 20 August, 2014.

the companies with high potential to destroy environment. If the analysis is true, the CSR mandatory by the law Indonesia is not as we expect to make Indonesian companies fully aware of their social and environmental performance and at the same time they are happy to do that.

This paper aims to discuss conceptual solution of the controversial issue.

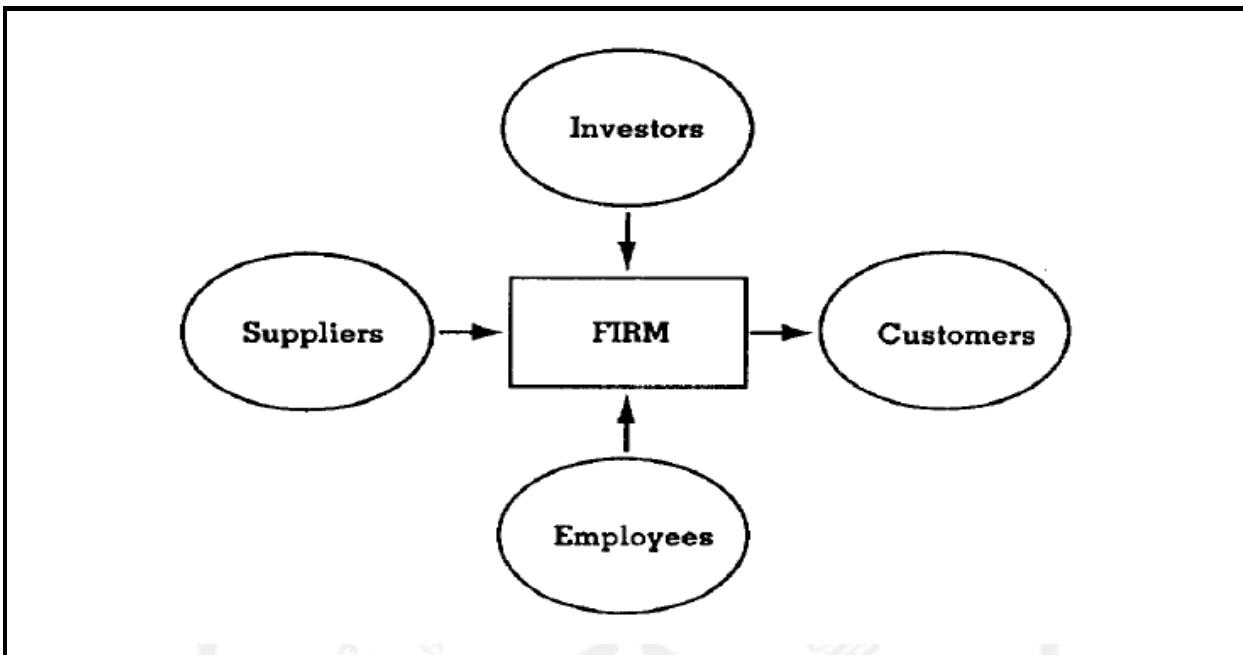
Stakeholder Scorecard²

Under stakeholder view, parties that are concerned with a company are not only those discussed in the input-output view, but also other parties or groups in society (Fauzi et al , 2010). Post, Lawrence and Weber (2002) classify the parties or the groups into two categories: **primary** and **secondary** stakeholder (Fauzi et al, 2010). The primary stakeholders are those directly affecting and affected by the decision to be made by the firm. Those categories include supplier, employees, investors, and customer. The second group called the secondary stakeholders is those in society affected directly and indirectly by the firm's decisions. They include local communities, the public, business groups, media, social activist groups, foreign government, and central and local government. Consequently, the decision made by the firm should positively satisfy the two groups. Based on this view, the firm's corporate social performance (CSP) will be better than that based on the input-output view (Fauzi at al, 2010).

There are many components constituting the stakeholder of a company. They have own interest and powers to influence the company. In some cases, they establish coalition to force the company to meet a certain interest (Fauzi, et al, 2010). Therefore, it is logic that to be

² Adapted from Fauzi et al. (2010)

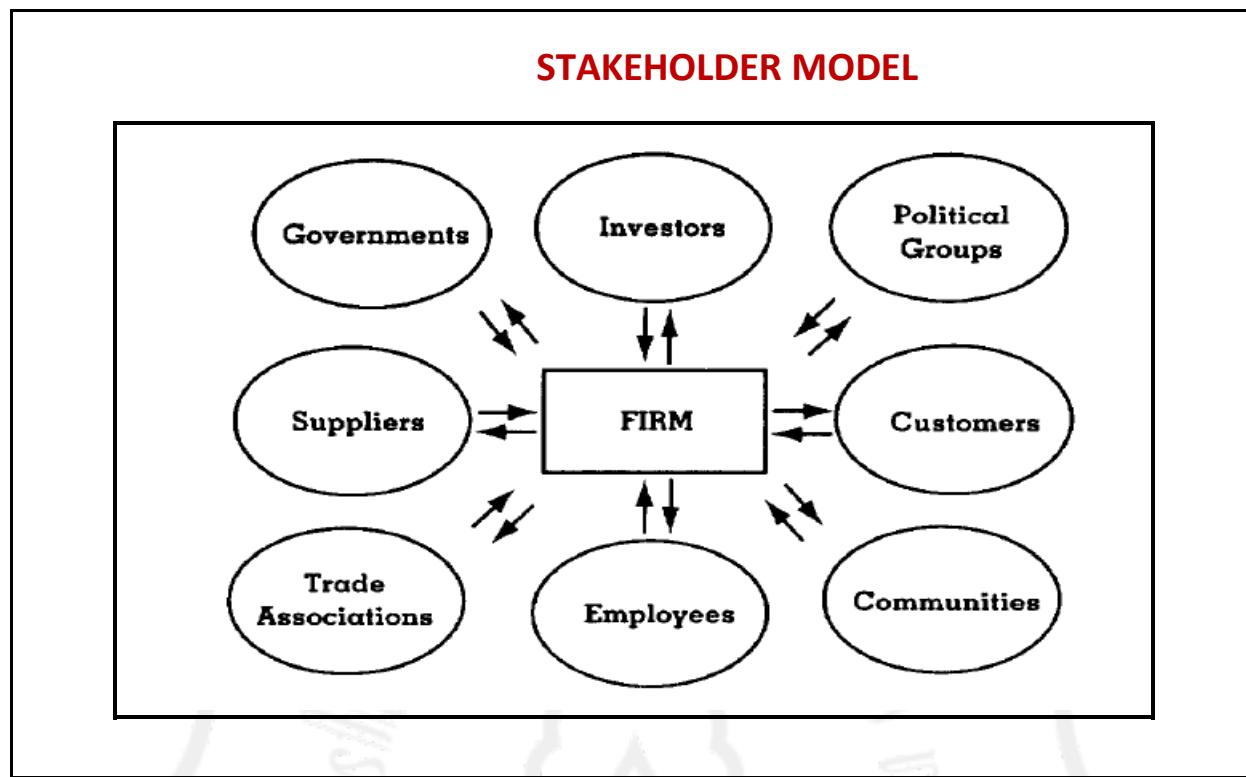
INPUT- OUTOUT MODEL



regarded “good” by stakeholders, they expect the company to achieve **some performances** covering the stakeholders. Based on the stakeholder view and according to Atkinson, Waterhouse, and Wells (1999) and Nickols (2000), the approach that a company should use to measure the company’s performance is the stakeholder approach or often called a stakeholder-based approach to performance measurement. By doing that the company’s performance will be measured in terms of three aspects: financial, environmental, and social (Gray, 2002 and Milne and Ball, 2005).

Since a notion of Triple Bottom Line (TBL) had been coined by Elkington (1997) and the trend of business considering the interest of stakeholder groups had been increasingly common, the term corporate performance is extended to include not only financial aspect, but also social and environmental dimensions. Thus, the extended corporate performance, often called sustainable corporate performance will include components of financial, social, and environmental performance. The inclusion of the two more dimensions in the corporate performance can be understood that the responsibility of corporation is not only to generate economic welfare (profit) but also to save people (society) and planet (environmental), a place

where human beings are dwelling. All of which are often called three Ps of TBL concept.



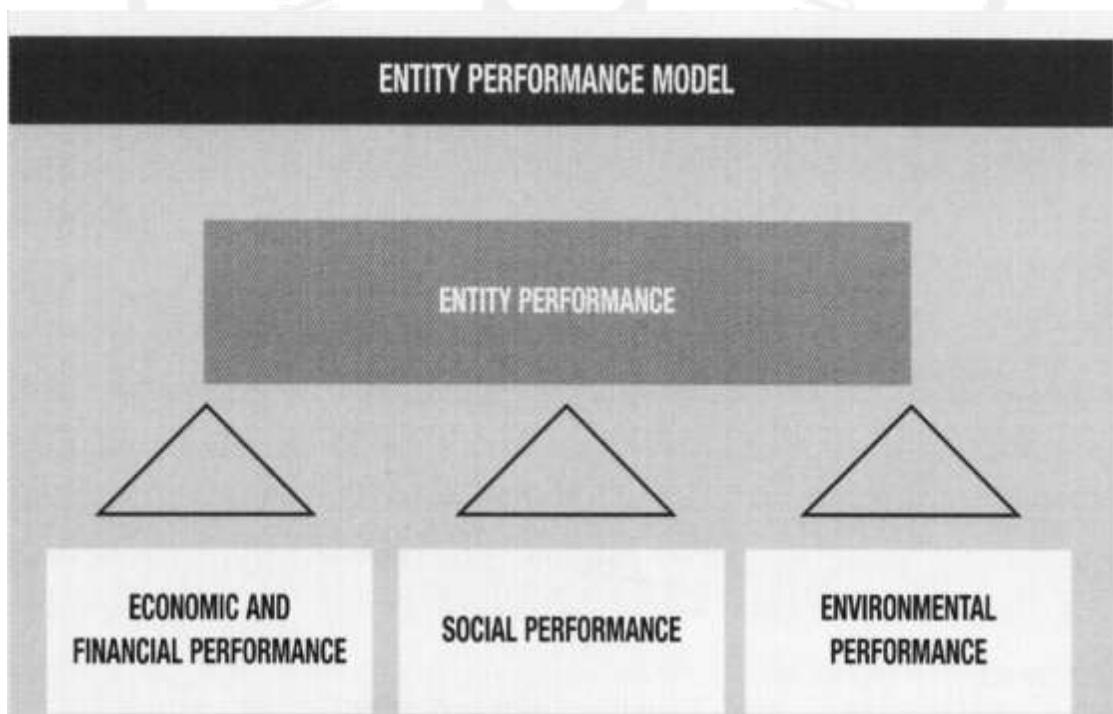
Defining CSR

CSR is can understood using two approaches: philanthropic and stakeholder (Fauzi, 2009). Under the philanthropic approach, CSR is reflection of corporate giving for those affected by the negative activities of the company. CSR under this approach, based on neoclassical economy thought, is perceived by companies as a burden as it is considered as cost beyond business activities. For the Indonesian context, it was why the CSR definition as stipulated in the law No.40/2007 got objection coming from business players and brought it to Constitutional Court for Judicial Review. The second approach sees the CSR as attempts the companies should keep in mind to consider their stakeholders in any business decision making. Despite no guaranty that all stakeholders (both primary and secondary) can be satisfied by companies, awareness to satisfy them, regardless of the degree, is there. CSR redefined based on this approach can lead to the CSR as good business practice (Fauzi, 2009).

Implementing CSR

Based on CSR definition discussed above, CSR implementation should be considered as business activities. Referring to the input-output model, the main business activities of the company will be with the following four parties: shareholder/creditor, supplier, employee, and customer. The company deals with them in the appropriate markets: financial for shareholder/creditor, factor market for supplier and employee, and customer market (for customer). Based on stakeholder scorecard concept (Atkinson, Waterhouse, and Wells (1999), all stakeholders should be considered important. By doing so, the company maintain good relationship with them. On other hand, the company is conducting CSR. Furthermore, stakeholder should be extended to include the secondary type of stakeholder. In accordance the characteristic of the secondary stakeholder, the company should also maintain good relationship with them using the non-market mechanism.

Implementing CSR using the stakeholder scorecard will works successfully with the integrated system using new performance measure often called Triple Bottom Line (TBL), including three aspects: Financial/economics performance, social performance, and environmental performance. GRI (Global Reporting Initiative, 2007) guideline provides the company with indicators for each component of the TBL.



Finally, the stakeholder scorecard concept provides solution of the controversial issues the company is facing about the mandatory CSR in Indonesia.

Closing Note

Objection of CSR mandatory as stipulated in the article 74 of the 2007 law no.40 by most Indonesian business players is due to misunderstanding of CSR as perceived by them and as defined in the law. Ideally, to settle the problem, the definition of the CSR in the law should be changed. Alternatively, management should use stakeholder scorecard in defining and implementing the mandatory CSR. Conceptually, social and environmental performance will lead to the improved financial and economic performance.

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