



Peter Burgess LinkedIn Blogs

Accounting from a Product Perspective

Conventional accounting has an organization perspective. This works very well for investors and executives whose remuneration is linked in some way with the performance of the organization, but it works less well for other stakeholders of the organization and the broader society and economy.

The financial performance of organizations is a part of the data that informs the sentiment of the stock markets and the price of stocks. The bigger the profit, the higher the value of the organization and the higher the stock price. There is nothing wrong with this as long as other things involving society and the environment are also taken into consideration and ... most important ... given an appropriate weight in the decision making around policy and the performance of society and the economy.

If we were to have accounting from a product perspective as well as accounting from the organization perspective we could go a long way to getting some balance between the performance of the organization and the performance of society and the environment.

When we think of the purpose of economic activity as being the maintenance and improvement of quality of life for people while doing the least damage to the environment, then organization becomes a key vehicle in doing this well. But it is product above all else that (1) enables quality of life and standard of living; and, (2) it is product that flows through organizations and goes into the making and reporting of profit; and, (3) it is product that emanates from the environment (mining that results in resource depletion) and eventually gets dumped into the waste chain in various forms (resulting in environmental degradation).

If we do accounting from a product perspective all sorts of interesting things are possible. There has been a growing interest in the performance of the supply chain over the last few years. Some analysts have had focus on this for quite a long time, but much of this has centered on how supply chain management could reduce costs and increase profits for the organizing company ... in other words an organization perspective.

Cost accounting within supply chain analysis gets very interesting ... but is rarely visible to the public. There is an embedded 'story' in every product that flows through a supply chain, and then gets purchased, used and thrown away. The story can be told quite efficiently using the tools of (cost) accountancy. As a product flows from one operation to another along the supply chain, there are costs, taxes and profits that go into the transfer price from one operation to the next. There are also negative impacts associated with resource depletion and environmental degradation in the various operations of the supply chain. Payroll costs have an impact on profit of the operation but there is a related benefit to employees, their families and the community which is positive. There are benefits flowing into the community from do-good expenditures and

also benefits flowing into society from taxes. There are risks that should be brought into account, and issues like workplace conditions and the treatment of workers. All of these pieces of the story can be expressed in the form of a standard truecost profile for the product.

In the end it is consumers that make the most critical decisions in an economy. Business organizations know this and invest heavily in advertising in order to influence this decision. There is no equivalent information flow that helps the consumer to make the best decision possible that balances the value to the consumer with the impact on society and the environment. When this information is easily available then it will be possible for people (consumers) to change the world.

Peter Burgess – TrueValueMetrics – Multi Dimension Impact Accounting

----- /// -----

Contact information for Peter Burgess: Founder / CEO ... TrueValueMetrics

Website: <http://truevaluemetrics.org>

Email: peterbnyc@gmail.com

Skype: peterburgessnyc

Twitter: @truevaluemetric

LinkedIn for Peter Burgess : www.linkedin.com/in/peterburgess1/

LinkedIn for this blog: <https://www.linkedin.com/pulse/article/20140811160850-27861-accounting-from-a-product-perspective>