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INTRODUCTION OF GREEN ACCOUNTING: GENERAL ASPECTS

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ABSTRACT

In recent years, the threat of global climate change, mainly global warming with its consequences, has become too obvious, and the costs of preventing and eliminating the consequences of environmental hazards have become tangible for countries and enterprises. The transition of an increasing number of companies to the principles of accounting on a "green" basis sets the task of clarifying the concept of organizing accounting and changing its functions. Today, green accounting is already the most influential tool affecting the national economies of countries and includes the creation of a concept of sustainable economic development. The main debatable issue is the composition and procedure for preparing reports as a result of maintaining "green accounting". An important aspect is related to the transition from financial accounting to environmental financial accounting (EFA) and from management accounting to environmental management accounting (EMA), which can be designated as environmental (related to the environment) management accounting.

Key words: Green accounting, environmental financial accounting, environmental management accounting, sustainable development, environmental accounting, national environmental accounting.

INTRODUCTION

The world is already feeling the real consequences of the threats arising from global warming. The October 2024 floods in eastern Spain, which killed 220 people in different regions of the country, caused by heavy rainfall (when a year's worth of rain fell in one incomplete day) and the recent threat in the southeastern United States, where at the end of September 2024, the devastating 4th category hurricane "Helen" caused large-scale destruction and loss of life, clearly showed the profound changes in the ecological balance. Such a threat of global climate change, mainly warming with its consequences, is becoming all too obvious, and the costs of preventing and eliminating the consequences of environmental hazards are becoming tangible for countries and businesses. At the enterprise level, the impact of change permeates every aspect and function of the organization, including accounting. As more and more companies move toward green accounting, the challenge is to refine the concept of accounting and change its functions.

«The concept of "green accounting" (environmental accounting or sustainable development accounting) is described as "tracking and studying organizational efforts and investments to protect the environment». [1]

Today, green accounting is already the most influential tool affecting national economies of countries and includes the creation of a concept of sustainable economic development. «Green accounting, also known as environmental accounting, is an innovative approach that incorporates environmental costs into traditional financial accounting. It goes beyond the conventional focus on economic transactions by factoring in the environmental impacts of business activities. This holistic view helps businesses understand the true cost of their operations, including resource depletion, pollution, and waste management».[2]

It should be noted that green (environmental) accounting is a way of keeping records of the actions of enterprises to reduce carbon dioxide emitted into the atmosphere, measures to reduce environmental risks and protect the natural environment around us, investing in environmentally friendly business projects. Such enterprises have the opportunity to increase sales volumes due to improved product characteristics. And this improvement allows consumers to develop associations with a reliable and sustainable brand, and potential investors to want to invest in a "green" business. A large number of enterprises and countries are already studying the possibility of implementing the principles and methods of "green" accounting, using the accumulated experience of accountants who apply this approach in practical work.

MATERIALS AND METHODS

The study of the materials allows us to identify the following types of green accounting at the corporate level:

1. «Environmental financial accounting is used to provide information needed by external stakeholders on a company's financial performance. This type of accounting allows companies to prepare financial reports for investors, lenders and other interested parties». [3] In other words, environmental financial accounting (EFA) reveals the potential impact of every transaction on the environment around us.

2. Environmental management accounting focuses on internal business strategy decisions. It can be defined as:

"...the identification, collection, analysis and use of two types of information for internal decision making:

a) Physical information about the use, flows and fates of energy, water and materials (including waste) and

b) Monetary information about environmental costs, revenues and savings". [3]

This means that environmental management accounting (EMA) must take into account all environmental costs incurred.

Green accounting (environmental accounting or sustainable development accounting) can also be implemented at the national and international levels. For example, national environmental accounting (NEA) should take into account the consequences (environmental and economic) of the activities of industries or the entire economy on a national or regional scale.

In practical terms, green accounting is a process of integrating the environmental and social aspects of financial transactions. The goal of green accounting is to reflect the long-term sustainability of economic indicators that have been undermined by environmental impacts. This type of accounting is a new trend in economics, particularly in the corporate world. We believe that it is a normal way of doing business, through which enterprises, in addition to increasing capital, will be able to create value for their stakeholders.

At first glance, if we take the general understanding of accounting, the components of green accounting as a whole are almost no different from the elements of current traditional financial accounting. And green accounting includes the concepts of assets, liabilities, equity, income, expenses, profit. But there are some important points that distinguish "green accounting" from current traditional financial accounting for each element. Let's consider these points.

In terms of assets and resources, companies that support sustainable and clean (from an environmental point of view) activities have a responsibility to purchase and invest in green assets.

«As for the obligations of the enterprise, they include social and environmental obligations. They also need to develop any products or services provided taking into account the direct impact on the environment (waste disposal, carbon emissions, etc.)». [4]

Also, an enterprise conducting a “green” business needs to ensure the transparency of its activities to ensure sustainable development, its impact on financial and economic activities and profit generation. The enterprise needs to take into account the costs of implementing the sustainable development policy, which include the costs of deep processing of raw materials, the costs of conducting an environmental audit, reducing the effects of pollution, the efficient and optimal use of resources, the costs of preventing and restoring the effects of environmental damage and other costs.

Based on the above, we can consider the composition of the reporting forms filled out through the maintenance of “green accounting” or sustainable development reporting.

"Green accounting" used by companies should take into account all the risks and benefits that result from limiting their own negative impact on the natural environment. This is what distinguishes "green accounting" from other types of accounting due to the special attention to the well-being of the climate when making accounting calculations and determining the financial results of enterprises. The emergence of additional costs for environmental measures will require encouraging enterprises to make more effective decisions. These decisions can be in the direction of reducing waste, saving energy, reducing harmful emissions. Compliance with the principles of "green accounting" should create conditions for measuring the results of these efforts and provide a basis for reporting, facilitating enterprises to demonstrate their actions to achieve sustainable development goals.

RESULTS

Compliance with the principles of "green accounting" and the stability of financial practices will allow enterprises to ensure a balance of profitability and responsibility in the environmental sphere, as well as to fulfill their social obligations. This approach should guarantee responsible management of enterprises of their resources, ensuring stable, constant economic benefits and simultaneously implementing environmental measures. An important advantage will be the enhancement of the corporate image of enterprises. Entities that adhere to the principles of "green accounting" deserve more trust, consumers, investors and other stakeholders show more loyalty to them. And this positive perception will lead to an improvement in the reputation of the enterprise, brand recognition, greater customer loyalty and strengthening of positions in the market.

Several points can be formulated that will arise as a result of maintaining green or ecological accounting, which can be characterized as additional advantages in comparison with maintaining other types of accounting.

First of all, “green accounting” helps improve financial performance and increase the value of the business on the market.

Secondly, compliance with the methods of maintaining “green accounting” will reduce the level of expected risks leading to changes in climate conditions and pollution of the environment around us, and minimize harm to the environment.

Thirdly, as a result of the measures taken in this direction, it is possible to improve the reputation and increase the market price of the enterprise brand. The implementation of actions that allow protecting the environment leads to the allocation of the business entity among similar ones, increasing the attractiveness among potential investors.

Fourthly, adhering to environmental concepts will increase the level of employee commitment and expand opportunities to attract the best specialists (in the field of outsourcing accounting services, obtaining consultations from certified economists, etc.).

Fifth, the implementation of a sound environmental policy leads to increased customer loyalty, sales volumes and revenues. It becomes possible to attract new customers who are aware of their contribution to reducing carbon emissions and who are more likely to purchase “green” products.

And an important role will be played by increasing the productivity of workers. Inspiration for work due to the awareness of the involvement in the implementation of urgent tasks for the benefit of society, when people are happy with what they do, productivity will increase.

"Green accounting" is an inevitable result of growing concerns about climate change, and actions to ensure sustainable development are undoubtedly becoming more important. And the factors considered will help accounting professionals successfully improve their professional level, create conditions for making more optimal decisions and take the necessary measures to change the systems of enterprise functioning.

DISCUSSION

An examination of views on sustainability suggests that the debate is largely focused on reporting on the results of green accounting. “While sustainability reports may take any of several standard formats, they typically contain data on environmental, social and governance practices and their impacts.” [1]

Reporting in the field of sustainable development or "green accounting" includes several components, of which we highlight the main ones. In general, they are standard elements of reporting.

First, we highlight the environmental component or environmental component of the "green accounting" reporting. Information obtained through "green accounting" (in other words, as a result of activities to achieve sustainable development) mainly reflects the results of the enterprise's efforts to protect our environment. Industry specifics leave their mark on the reporting, and it will include information about the enterprise's initiatives in the area of land use plans, reducing emissions as a result of using hydrocarbon components of production, searching for alternative types of raw materials (less harmful), environmental efficiency of attracted investment, getting rid of dependence on climate change, and the possibilities of using cleaner production technologies.

The next component of reporting is the social component of reporting. Sustainability reports must disclose the internal practices of the enterprise to address social issues and external influences related to similar issues. Information usually focuses on social sustainability and covers standards for ensuring the safety of workers and maintaining and improving their health. Measures to ensure the security of personal data, access to healthcare, and professional development must also be covered. Indicators of the safety and availability of products manufactured by the enterprise, dissatisfaction of stakeholders, as well as the results of the enterprise's management practices must also be reflected in the reporting.

The so-called management element should also be present in the reporting. This is achieved by providing information in the reporting on the impact of their internal management methods as a result of the corporate management of the enterprise. Accordingly, a report on the corporate management of the enterprise is compiled. The reporting should include indicators characterizing the accounting and tax practices of the enterprise, business ethics, cases and rules for lobbying the interests of individual parties. It is also necessary to reflect the level of remuneration and the results of decisions of the heads of the executive administration, the principles of formation and diversity in the executive body, the causes and factors leading to corporate instability.

An important aspect is related to the transition from financial accounting to environmental financial accounting (EFA) and from management accounting to environmental management accounting (EMA), which can be designated as environmental (related to the environment) management accounting.It can be stated that EFA is aimed at accounting and reporting on transactions and events of an environmental nature that affect financial indicators. For each transaction on the debit and credit of individual accounts, the accountant must take into account its impact on the environment. This is achieved by specifying whether the main costs have a significant impact on the environment and whether they will affect the decisions of various users of the company's financial statements.

In turn, environmental management accounting (or environmental management accounting) takes into account environmental costs and benefits. They should facilitate the identification, further analysis, as well as management and reduction based on the results of the analysis of the enterprise's costs for energy consumption, for risk management and related to the use of raw materials.

At the same time, it should be emphasized that "while establishing a solid internal basis for green accounting approaches such as EFA and EMA is important for companies committed to environmental responsibility, the effort does not end there. It is equally important to integrate national environmental accounting (ENA) into business practices." [5]

National Environmental Accounting (ENA) should support the green initiatives of countries by assessing their economic activity, economic growth and resource use, as well as by examining the practice of environmental impact management at the national level. As is known, traditional national accounting or the system of national accounts considers the indicators of the gross domestic product (GDP) and net domestic product (NDP) of a country, ENA also takes into account the environment. This state of affairs has led to the emergence of a new indicator called the environmental domestic product (EDP).

Unlike the standard NDP formula, EDP adds the net accumulation of produced economic assets, non-produced economic assets and non-produced natural assets. This means that investments and expenditures in protecting and preserving our environment are included in the calculation, becoming part of the equation. This step leads to the adoption of environmental protection obligations by the country and regulatory authorities, the development and adoption of environmental laws by representative bodies, and the provision of environmental incentives to economic entities and citizens of each country in order to promote sustainable development of the country and increase EDP. [5].

CONCLUSION

The material reviewed allows us to conclude that in order to assess the environmental impact, "green accounting" should consider the enterprise's use of raw materials, production waste management, as well as manufactured products and services rendered. "According to the Association of Chartered Certified Accountants (ACCA) 2021 report, 75% of accounting and finance professionals believe that they should be included in corporate efforts to curb climate change." [1]. Usually, accountants are given a decisive role in this work. At the same time, effective "green accounting" is the environmental work of the entire enterprise. It also assesses the level of impact on stakeholders (local community) and compliance with government guidelines and regulations.

"Green accounting" can be defined as activities to slow down the growing wave of climate-related disasters, responding to government directives and regulations, calls from potential investors, consumers, client companies and employees, who believe that economic entities are responsible for actions to protect the natural environment around us.

Sustainable development activities or environmental accounting help improve the quality of manufactured products or services provided by increasing the efficiency of the enterprise and reducing production waste.

CONFLICT OF INTERESTS AND CONTRIBUTION OF AUTHORS

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