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New systems of accounting: The incorporation of social and environmental factors within external reporting

Listia Brigita Sinaga [1], Nurmala Sari Ritonga [2], Iskandar Muda [3]
[1-3] Faculty of Economics and Business, University of Sumatera Utara, Indonesia
Corresponding Author: **Listia Brigita Sinaga**

Abstract
This research aims to explore new systems of accounting—the incorporation of social and environmental factors within external reporting in Indonesian companies. In this study, the method of data collection used, namely the library method. The method of collecting library data is done by collecting data from sources or books relevant to research. However, data shows that the incorporation of social and environmental factors within external reporting has not been fully reported. Triple Bottom Line (TBL) is now being watched by organizations to report their responses on environmental, social, and economic performance issues.

Keywords: Triple Bottom Line, environmental performance, social performance

1. Introduction
Today's companies are required not only to pay attention to the company's profit, but also the aspects of society, social, and environment. These aspects are covered by the Triple Bottom Line (TBL) which is often associated with the implementation of Corporate Social Responsibility (CSR) in financial statements.

Environmental accounting is important because companies need to convey information about social activities and environmental protection to corporate *stakeholders.* Environmental accounting shows the real costs of inputs and business processes, ensures and measures quality and service costs and identifies hidden costs and improves industry performance in the field of environmental management. Pollution and waste production is one of the negative impacts of industry operations so that it requires environmental accounting as a form of accountability to assess, measure, present waste management costs from operational activities as one of the efforts to reveal environmental quality in optimizing social industry responsibilities. (Sari *et al*, 2013)

2. Literature Review
Some theories that support the submission of social and environmental accountability reports are *legitimacy theory* and *stakeholder theory* (Deegan, 2004: 292). The purpose of environmental costs are the costs incurred due to the company's production, distribution and consumption activities that affect the quality of the surrounding environment. These costs are either financial or non-financial impact. In this case the company usually hires environmental engineering analysts or companies in the field of waste treatment and sanitation to overcome this.

In addition, from the internal company will conduct an environmental impact analysis (AMDAL) before carrying out its activities. Environmental cost reporting is important if an organization seriously wants to improve its environmental performance and control its environmental costs.

Social and environmental accountability accounting is within the financial accounting corridor. This form of social accountability accounting has been known as*corporate social responsibility* (CSR) and *sustainability reporting* (SR). Social liability accounting reports can be reported on *the annual report* or as a separate report from the annual *report.* CSR and SR accounting is a concern of the company in accordance with the theory of legitimacy where the company strives to meet the expectations of various related parties in an effort to gain support and trust from the public. Accounting CSR is defined as the process of selecting corporate-level social performance variables, measures, and measurement procedures, systematically developing useful information to evaluate the social performance of the company and communicate the information to interested social groups, both inside and outside the company (Angraini, 2006: 5).

Environmental Accounting Support Regulations

PSAK No. 57 adopted from IAS 37: Provisions, Contingent Liabilities and Contingent Assets. Shows examples of transactions or events that are very closely related to environmental activities. For example, an entity engaged in the oil mining industry in a country has been committing environmental pollution for many years. The country has long had no regulations on cleaning up environmental pollution, but by the end of this year it will.

a. Issue regulations on such cleanups. In this case, the entity should note the provision of the best estimate of cleaning costs. The best estimate is the current amount with a significant or material impact on the value of money. The same will be done by the entity, if, although there are no regulations governing the cleanup of environmental pollution, but the entity has a widely publicized environmental maintenance policy and the entity is known to have a reputation for respecting such published policies. In this case the purported provision is classed as a constructive obligation
b. PSAK No. 25 discusses accounting policies, changes in accounting estimates and errors. This PSAK was adopted from IAS 8: Accounting Policies, Changes in Accounting and Errors. As a result of the uncertainty inherent in business activities, many posts in financial statements cannot be measured appropriately, but can only be estimated. This estimate certainly involves consideration based on the latest information available and reliable. Firoz and Ansari (2010) provide examples of estimates related to environmental costs, among others:
   1. Provision of cleaning costs (cleanup costs)
   2. Provision of rehabilitation in the mining industry
   3. Provision of claims for contingencies
   4. Provision of environmental costs such as air pollution, noise pollution, gas and hazardous waste.
   5. Provision for the purchase of equipment to control pollution.
c. While in PSAK No. 5 on Operating Segments, entities need to disclose information to enable users of financial statements to evaluate the nature and financial impact of business activities involving entities and the economic environment in which the entity operates. The existence of segments of operations reported by geographic region or country will show there are differences in the regulatory environment that could be related to regulations in the field of environment. This is in sync with the information required by GRI i.e. information about the Country or region that provides (i) a revenue contribution of at least 5% of total revenue, (ii) a expense contribution of at least 5% of total revenue. In PSAK No. 5 the percentage considered significant is 10%. PSAK No. 5 was adopted from IFRS 8: Operating Segment.

3. Methods

This research uses literature study method to find out similar research that has been done. Each study will be discussed briefly to find out the differences between each of the studies that have been carried out. In this study, the method of data collection used, namely the library method. The method of collecting library data is done by collecting data from sources or books relevant to research.

4. Result and Discussion

4.1. Result

4.1.1. Allocation of Environmental Costs

Environmental Costs are costs incurred due to declining environmental quality as a result of the agency's operating activities. Environmental Costs should be presented separately with financial statements, meaning companies must make environmental cost reports specifically to provide relevant information for companies and outside parties as a guideline in decision making on existing environmental impacts.

Environmental Costs are grouped into: (Hansen, Mowen 2013:413):

1. Environmental prevention costs,
2. Environmental detection costs,
3. Internal environmental failure costs,
4. The cost of external environmental failures.

Environmental Cost Accounting is a planned cost accounting strategy that is not only centered on accounting for environmental maintenance costs, but minimizes the environmental impact that may occur.

Stages of environmental cost accounting treatment

The important role of environmental accounting, it is necessary to understand from parties or institutions that take advantage of the advantages of the environment to maintain the stability of life. So to improve environmental conservation efforts, entities need to budget environmental costs on the company's financial statements and responsibilities (Hermiyetti and Dondokambey, 2012).

Therefore, in the process of allocating environmental costs, it is necessary to plan the allocation stage in order to be organized systematically and presented correctly and appropriately. The following are the stages of environmental cost allocation specified in the Financial Accounting Standard Statement (PSAK) in 2009, among others as follows:

1. Identification

The first time the company will determine the costs for the management of *externality* countermeasures costs that may occur in its business operations is to identify the negative impact. In environmental accounting generally use words such as full (*full*), total (*total*), and life cycle (*life cycle)*. The term is more likely to use a traditional approach where the scope of costs exceeds environmental costs.

2. Recognition

If it has been identified further recognized as an account or expense account at the time of receipt of benefits of a certain amount that has been issued for environmental financing. costs used by the company every month to manage the company's waste by taking from the costs that have been reserved (budgeted) previously through financing paid upfront.

3. Measurement

In general, companies measure the costs incurred by companies for environmental management using predetermined monetary units and the amount incurred. So that the right amount and value will be obtained according to the real needs of the company every period.

In this case, measurements are taken to determine the need for allocating financing in accordance with the conditions of the company concerned each company has different measurement standards because in SAK and theories there is still nothing to specifically regulate the measurement of environmental costs

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4. Disclosure

Environmental accounting demands the allocation of special posts in account recording on financial statements made by the company so that in financial accounting reporting it will appear that the social responsibility conducted by the company is not limited to rhetoric but has been in accordance with practically the management of the remaining operational results of the company.

The costs recorded in the explanatory journal can be interpreted that the costs previously recorded in the combined post such as general or *overhead* costs need to be created a special post containing a list of special cost allocations for *external* management as the remaining operational results of the business (Munn in Akbar, 2011). The possibility to load all the costs that have been incurred in a special post into a special balance sheet remains, but nevertheless at least in a financial statement there is a special account that can explain the allocation of environmental costs into a whole account post unit and in detail the expenditure of such costs from the beginning of the planning of the environmental accounting process until the presentation of the use of such costs (Purnomo, 2000 in Winarno, 2007).

Referring to PSAK 33 on General Mining Accounting which also regulates environmental management, the matters that must be disclosed in the notes on the financial statements are as follows: Accounting policy in connection with:

1. Accounting treatment for waste costing
2. Method of shrinking waste management infrastructure
3. Environmental activities that have been and are running
4. Conditional obligations in connection with environtment

4.1.2. Implementation of *Triple Bottom Line* Concept

The *triple bottom line* concept (TBL) is a concept developed by John Elkington in 1997 through his book entitled*"Cannibals with Fork, the Triple Bottom Line of Twentieth Century Business"* (Yanti and Rasmini, 2015). Elkington stated that in addition to pursuing *profit,*companies must pay attention and engage in the fulfillment of the welfare*of the community*(people) and contribute actively in maintaining environmental sustainability (*planet*).

Smith and Sharicz (2011) stated that TBL is, "The result of the activities of an organization voluntary or governed by law, that demonstrates the ability of the organization to maintain viable its business operations (including financial viability as appropriate) whilst not negatively impacting any social or ecological systems."

TBL is an important element that must be considered by the company. TBL can be a benchmark for companies, by not only paying attention to the economic side, but also the impact that both positive and negative impacts have on social and environmental. The three aspects of TBL have strong relationships and relationships. Aulia and Kertawijaya (2013) describe from the economic aspect, the company should focus on its benefits for the sake of the sustainability of the company, from the social aspect, the company must have a commitment to the community to provide the maximum benefits, and from the environmental aspect, all activities of the company are closely related to the environment.

Companies must be able to balance the economy in order to benefit the community and maintain the environmental balance of each of its activities. The Company in carrying out all three aspects of TBL, can implement it in CSR programs.

4.2. Discussion

New system of accounting combines social and environmental factors in external reporting

a. Economic, environmental, and social performance of the company

Moving towards sustainable development requires organizations to explicitly consider various aspects of their econometric, social and environmental performance. If an entity includes triple bottom line reporting, what does that imply about the accountability of a business? What kind of accounting system will allow organizations to report on social and environmental performance?

b. Three Core Reporting

In his book Cannibals with Forks, Elkington describes TBL as (Elkington economic prosperity, environmental quality, and social justice (Elkington,1998). Define it as reporting that provides information about the economic, environmental, and social performance of an entity. If implemented correctly, it will provide information to enable others to access how sustainable an organization or community operates.

Definition of sustainability cited in Smith (2011)

a. According to Ott: “A system in which the economy is a subsystem of human society, which is itself a subsystem of the biosphere and a gain in one sector is a loss from another.”
b. According to The Earth Chapter Initiative: “A sustainable global society founded on respect for nature, universal human rights, economic justice, and a culture of peace.”
c. According to World Summit UN General Assembly: “The reconciliation of environmental, social and economic demands as the three pillars of sustainability.”
c. Brundtland Report and sustainable principles

This from this report is to instigate a global agenda of change in order to combat or relieve ongoing pressures in the global environment. Based on the above definitions, TBL can be concluded as three pillars in performance measurement, namely from the economic or financial, social, and environmental aspects. As a performance gauge, the concept of TBL is often divided into two major parts, namely finance and social.

In general, companies measure financial performance using three categories, namely Return on Assets or Return on Equity, profitability in absolute units, and various accounting measures with an index between 0-10. Measurement of performance from the social and environmental side is often referred to as Corporate Social Responsibility (CSR). Definition of CSR according to Bowen quoted from Christofi *et al*. (2012, p. 160): “... the obligation of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society.” Triple Bottom Line (TBL) is now being watched by organisations to report their responses on environmental, social and economic performance issues. These three pillars support each other to achieve sustainability. These three pillars are not mutually exclusive and can be mutually reinforcing, so it is often referred to as triple bottom linesustainability.

5. Conclusion

From the research that has been done, earned loyalty is the wave of the future. Companies must be prepared to be challenged in depth by potential and current complementors and partners. These challenges will be a key part of the value of such relationships. And the choice of partners, as in every other area of human life, will be critical. The results og this study indicate that Triple Bottom Line (TBL) is a concept that develops in line with the issue of sustainability. The Company is now required to pay attention not only to the interests of shareholders but stakeholders who are all parties affected by the company's activities. These interests can be summarized into three pillars called Triple Bottom Line (TBL). These three pillars consist of Profit, People, and Planet. Each component in Triple Bottom Line (TBL) is not stand alone, but supports each other .

Triple Bottom Line (TBL) is a dynamic concept so that regular monitoring is required in order for the company to adjust to the changes that occur along with the development of time and environmental conditions.

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