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### Overview of Green Accounting

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#### Abstract

Green accounting brings many benefits not only to enterprises but also to the national economy, the application of green accounting brings many positive values. However, the application of green accounting today still has many difficulties and limitations, so enterprises need to further promote the application of green accounting. The article

studies green accounting such as concepts, objectives, green accounting models. At the same time, the article presents some accounting principles that form the basis for the implementation of green accounting. The article also points out some of the benefits that green accounting brings to businesses.

**Keywords:** Green Accounting, Accounting Principles, Enterprises

#### 1. Overview of green accounting

##### *The nature of green accounting*

Green accounting is an accounting method that incorporates environmental costs into the financial results of a business's operations. The primary purpose of green accounting is to help businesses understand and manage the interrelationship between traditional economic goals and environmental goals, leading to sustainable development. Thus, it can be understood that green accounting is a modern and comprehensive accounting system for recording, summarizing and reporting for an organization, to fully reflect the contents of assets, liabilities, capital, revenues and expenditures for the green environment of the country. Green accounting is considered an important tool related to the aspects of the impact of the natural environment on the economy and is considered a transition to a sustainable development method, towards the development of a green economy. The objective of Green Accounting is to present information on financial accounting, social accounting information and environmental accounting information. This accounting information is presented in an integrated manner in a green accounting report. From there, stakeholders can use it in pricing and making investment decisions in terms of economics, management and other issues. Specifically, business managers, shareholders, creditors, customers, consumers, employees, government.... can fully assess the financial situation and business performance, business risks, business growth prospects and business performance of the business, profits as well as the sustainability of the business before making the final business decision. In addition, stakeholders can know the accounting information about whether the business is responsible to society and the environment. This is a prerequisite for determining the long-term sustainability and profitability of the business.

##### *Green Accounting Principles*

There are a number of accounting principles that underpin Green Accounting. The following six Principles may be considered in the practice of Green Accounting:

**Sustainability principle:** Accounting records and measures values, summarizes and presents information relating to objects, influences, events and/or financial, social and environmental transactions in an integrated and systematic manner in a single accounting report to support the sustainable growth of the enterprise, this report is relevant and reliable to support management and users of the information in the report in making economic and non-economic decisions, particularly those relating to the risks and sustainable development of the enterprise.

**Asset recognition principle:** The sacrifice of an enterprise's economic resources (expenses) to carry out green business and green companies, to carry out the enterprise's voluntary social responsibility (CSR) and the enterprise's social and environmental responsibility (CSER) can be considered as a sacrifice (asset) investment if that sacrifice is considered likely to bring tangible and intangible benefits in the present and the future. If it does not meet these criteria, then the sacrifice must be immediately considered a periodic expense in the unit's profit and loss statement.

**Principle of Liability Recognition:** Environmental or social responsibility must be recognized immediately when a business entity is requested by the government or other parties to cover the loss or replace the costs of environmental damage and community losses caused by the business's operation. Business commitment to treat pollution and contamination, restore environmental damage, afforest and conserve nature, and participate in supporting the government in improving the quality of life and economic welfare of the surrounding community through CSR or CSER programs can also be recognized as social and environmental obligations.

**Principle of Relevance in Measurement:** Measuring value and comparing results between costs and benefits with the efforts of implementing the business's social and environmental responsibility is not only applied in the same accounting period but also for different periods in the future when the sacrifice of economic resources (costs) and these efforts have the potential to bring significant economic and non-economic benefits in the future. The nature of the value measurement principle is also the basis for the principle of expense recognition and revenue recognition.

**Principle of Integrated Accounting Process:** The accounting process, namely recording, value measurement, recording, summarizing and reporting accounting information, must integrate objects, transactions and financial/economic, social and environmental events systematically and integrally in a reporting package so that users can have full, sufficient, relevant and reliable accounting information that is useful for making economic and non-economic decisions.

**Principle of Integrated Green Accounting Information Reporting:** When reporting and disclosing green accounting information, business entities must report and disclose all financial, social and environmental accounting information, both in terms of quantity and quality, in an integrated manner. The objective is for internal and external users to have full, relevant and reliable information on the financial position and financial performance, risks and prospects as well as the commitment to social and environmental responsibility and the sustainability of the unit before assessing, evaluating and making decisions. The role of disclosing qualitative accounting information is to complete and explain important issues related to quantitative social and environmental accounting information items. The disclosure of quality environmental and social accounting information can be done through notes on the media about green accounting reports (the principle of full disclosure).

## 2. Benefits of Green Accounting

Green accounting brings many benefits to businesses and the economy in general. Among them, the following basic benefits should be mentioned:

Firstly, green accounting helps to provide information, check the profit, revenue and environmental costs of the business so that managers can make business production decisions.

Secondly, the application of green accounting will help enhance the reputation and competitiveness of the business. Green accounting will help provide more accurate, complete and comprehensive information to measure the implementation process, thereby improving the image of the business with stakeholders, helping businesses improve relationships with creditors, banks, shareholders, customers,

etc. by meeting international environmental standards, creating a trade advantage, and enhancing reputation in the community by developing a "green" image.

Thirdly, applying green accounting helps reduce production costs. If green accounting is implemented well, businesses will limit input factors such as raw materials, energy, and labor that are consumed in the process of creating pollution, increasing the efficiency of resource use, and increasing competitive advantage due to reduced production costs.

Fourthly, the good implementation of green accounting helps managers make important decisions such as reducing production costs, increasing productivity, investing in machinery and equipment to produce better, cleaner, and delivering quality products, leading to reduced costs. This will give businesses a competitive advantage in terms of selling price and higher profits, and reduce legal issues.

Fifth, green accounting also helps improve the existing accounting system by organizing the accounting information system more scientifically and linking the information flow of activities from various departments of the enterprise.

Sixth, green accounting helps provide accountants with foresight into the environmental impacts, some factors that can cause an enterprise or organization, thereby helping business managers and policymakers have reasonable ways to cope and solve. Thereby, it will also help reduce environmental risks as well as public health risks, while improving environmental management accounting and financial accounting at the enterprise level.

Seventh, green accounting contributes to finding and providing important and necessary information about costs and revenues related to the environment; guide businesses, project owners in economic decisions, encourage them to strive to use resources, including natural resources created by humans effectively and minimize environmental destruction, waste and pollution, change behaviors towards the environment.

## 3. Some difficulties in applying green accounting in enterprises

In the course of business activities, many enterprises have generated waste that is harmful to the environment. Along with Vietnam's development strategy of rapid, sustainable economic development, protecting the environment well and harmoniously solving economic, environmental and social issues. The State has paid attention to and increasingly issued legal regulations to limit the excessive exploitation of natural resources for socio-economic development, at the same time, it is also to minimize violations, environmental destruction, and pollution. However, the implementation of green accounting in Vietnam today will also face many difficulties and challenges:

- Many businesses tend to avoid applying green accounting. And for businesses to implement the law well, it is inevitable that many types of costs will arise on an increasingly large scale related to the environment, environmental protection, handling environmental impacts and improving environmental quality in business contracts. Of enterprises and in implementing investment projects.
- Currently, the accounting accounts do not record significant costs related to the environment such as repair costs, compensation, incident response costs and cleanup costs, handling in cases of accidents, destruction of the ecological environment, living

environment.

- Financial regulations, accounting standards, regimes and contract practices do not provide and meet the necessary information on environmental costs as required for contract decision-making and financial reporting.
- Lack of qualified human resources: The application of green accounting requires a team of employees with high professional qualifications in accounting and the environment. However, this human resource is currently lacking.

#### **4. Enhancing the effectiveness of green accounting with sustainable development**

In order to promote the application of green accounting, it is necessary to focus on implementing the following solutions:

**From the management agency:** It is necessary to recognize that, for countries, when the input factor of the economy still relies heavily on natural resources, the application of accounting requires a mandatory nature, but it is necessary to have a reasonable long-term roadmap.

**From the enterprise side:** It is necessary to change the perception in the application of green accounting in production and business activities. Business managers need to have more information on the environmental cost aspect arising in the enterprise's contracts in order to make appropriate business investment decisions, thereby, both seeking profits from projects and avoiding environmental penalties. Continue to enhance the quality of accounting human resources to meet the job requirements in the new context. Because green accounting is not popular in Vietnamese enterprises, it is necessary to focus on training to improve the quality of the accounting staff, and at the same time build an accounting department with capacity and experience in green accounting...

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