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Green Accounting with Sustainable Development in Vietnam

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Abstract
Green accounting is seen as a vital tool related to environmental impacts on the economy and is considered a direction for transformation towards sustainable development, aiming for green economic growth. It's also a new and long-term approach, aligning with global development trends. Implementing green accounting, particularly environmental accounting, contributes to providing accurate, transparent, complete, and responsible information, thereby improving the corporate image in the eyes of regulators, shareholders, investors, and business partners. However, the application of green accounting in Vietnam still faces inconsistencies in its sustainable development. The article presents some benefits based on the current state of green accounting implementation, identifies several issues, and proposes solutions to encourage the adoption of green accounting for sustainable development.

Keywords: Green Accounting, Sustainable Development, Environmental Costs

1. Introduction

Financial reports reveal crucial information about a company's financial health, business performance, and cash flows, and auditing these reports has become an effective tool to ensure the quality of the information presented. However, numerous major fraud cases involving audited financial statements have raised concerns about audit quality and the auditors' independence—a key factor affecting the audit's integrity. A notable example is the 2001 collapse of Enron in the US and the subsequent bankruptcy of Arthur Andersen in 2002 due to lost credibility. Among various reasons, it's noteworthy that Arthur Andersen had been auditing Enron for a lengthy period of 16 years while also providing consulting services to them. Studies have shown that audit firms conducting financial statement audits for a client over an extended period and performing other non-audit services can threaten auditor independence. Previous research in many countries has explored different factors that could either enhance or compromise this independence, yielding varied and sometimes conflicting results. Therefore, investigating the factors that influence auditor independence and the extent of their impact is an urgent issue.

2. Overview of Research and Theoretical Framework

Green accounting is an accounting method that strives to incorporate environmental costs into a company's financial results. The goal of green accounting is to help businesses understand and manage both traditional economic objectives and environmental goals, thereby aiming for sustainable development. Green accounting can be seen as a modern and comprehensive accounting system designed to record, synthesize, and report for an organization, fully reflecting details about assets, liabilities, investments, income, and expenses related to the nation's environmental conservation.

S. Sudhamathi and S. Kaliyamoorthy (2014) state that the main objectives of green accounting include three key aspects: identifying, collecting, calculating, and analyzing materials and energy-related resources; internal reporting and utilizing information about environmental costs; providing relevant cost information during decision-making processes; and aiming to make efficient decisions that contribute to environmental protection.

Some studies suggest that green accounting is divided into various perspectives, including five main areas: environmental financial accounting, environmental management accounting, environmental finance, environmental law, ethics, and community relations. Green accounting, and environmental accounting in particular, is a part of green growth, aiming for the "by the people, for the people" goal and contributing to the stability and sustainability of environmental resources for societal development.

The United Nations has called on countries and organizations worldwide to implement environmental accounting systems to record data related to business activities that impact the environment. In 2014, the UN rolled out a program called "System of Environmental-Economic Accounting," also known as Green Accounting.

However, the study by Sherine, Jacob, and Jolly (2012) suggests that it's widely acknowledged that accounting for income and expenses from the environment is no easy task, mainly because these costs often have hidden or intangible aspects that make them difficult to record. Moreover, revenue and expenses are challenging to measure in terms of financial accounting data as they relate to future events and other intangible factors.

There have been numerous studies on green accounting. Rubenstein (1992) suggests that ethical issues can be addressed when environmental management is viewed through a financial lens, which then garners greater importance from a business perspective. The significance of environmental matters has escalated due to the ongoing degradation of our surroundings and the rise in environmental disasters.

Asheim (1997) [3] demonstrated that establishing a green or environmental accounting system is crucial to preventing pollution or damage. This system takes into account economic measures that impact the production and consumption of electricity on the environment. It considers the high influence power plants have on natural capital and the necessary corresponding actions that need to be taken.

Aronson and Lokfgren (1999) argued that society encourages environmentally responsible behaviors from both the government and business sectors by scrutinizing ecological disasters and the degradation of Earth's ecosystems. The common reality is that the expected outcomes can be achieved when business managers are given the responsibility to address ethical issues by either considering their profits or protecting the environment. Therefore, standardized and quantifiable measures are necessary to control business activities that pollute the environment.

The United Nations released the report "Enhancing the Role of Government in Promoting Environmental Management Accounting" (EMA) in 2011. This publication was crafted to outline various principles and procedures related to environmental management accounting, with a keen focus on techniques for quantifying environmental costs for national development and providing guidance and a framework for EMA.

Heba YM & Yousuf (2010) [1] explored environmental accounting concepts by examining techniques for developing environmental reports that enable governments to use and hold businesses accountable for their external impacts. Harazain and Horváth (2011), in their article "The Relationship between Environmental Accounting and the Pillars of Sustainable Development," described four challenges related to sustainable development. Through literature research and a theoretical review, the authors concluded that environmental accounting is not yet overcoming the social challenges and integration required for sustainable development.

The Benefits of Green Accounting for Businesses

Studies and business practices worldwide reveal several benefits of green accounting for the production and business activities of companies, specifically:

It provides information to monitor profits, revenue, and environmental costs, enabling managers to make informed production and business decisions. Effective green accounting can reduce the consumption of inputs like materials, energy, and labor that contribute to pollution, thereby increasing resource efficiency and competitive advantage through lower production costs.

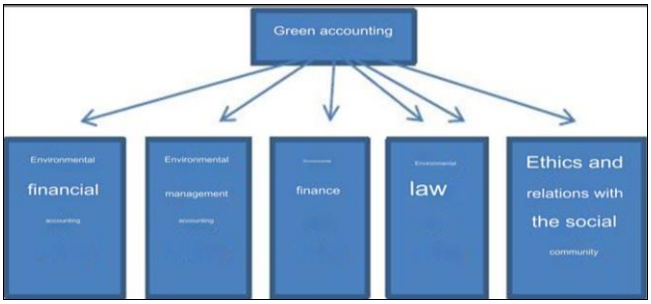
Table 1: Research Related to Green Accounting

No	Author	Time	research content
1	Asheim	1997	It is necessary to establish a green or environmental accounting system to prevent pollution or damage
2	Lafontaine	2002	Considering environmental aspects in terms of the economy such as the cost of services and products. businesses can reduce the consumption of natural resources to save to a greater extent and address compliance requirements. environmental protection by consumers.
3	Betianu	2008	In the modern business world, implementing green accounting is considered a factor important, contributing to limiting impacts on the environment and economic development in countries developing.
4	Gary Otte	2008	Organizations can have certain internal and external benefits by implementing green accounting systems.
5	Heba YM & Yousuf	2010	Examine environmental accounting concepts by exploring techniques for developing environmental reports that enable government use and hold more businesses accountable for their external factors.

Source: Compiled by Author

Providing accountants with foresight into environmental impacts allows them to anticipate factors that could affect a business or organization. This enables policymakers and business managers to develop effective strategies and solutions. As a result, it also helps reduce environmental risks as well as community health hazards while simultaneously improving environmental accounting and financial management within the company.

Overcoming the shortcomings and limitations of traditional accounting is essential. In reality, traditional accounting today has certain limitations, especially concerning environmental issues. The accounting systems currently in use are not adequately equipped for businesses to implement environmental accounting. The system of accounts, ledgers, and accounting documents does not separately record environmental information. There is no separate account or specific category in accounting for the cost factor "environment" or the income it generates.



Source: Compiled by Author

Fig 1: Perspectives on Green Accounting

A lot of environmental costs are currently lumped together in general management expense accounts, making it tough for economic managers to detect and understand the scale and nature of these environmental costs, both overall and individually. Moreover, while traditional accounting focuses solely on a company's financial aspects, environmental accounting bridges the gap between the environment and the economy.

Implementing green accounting, particularly environmental accounting, plays a crucial role in providing accurate, transparent, complete, and responsible information. This not only helps improve a company's image in the eyes of regulators, shareholders, investors, and business partners but also reflects the company's social responsibility and ethical business practices. In practice, adopting green accounting satisfies and strengthens the trust of all stakeholders involved.

Environmental accounting, a specific aspect of green accounting within the general accounting system, contributes to the search and provision of vital information on costs and revenues related to the environment; it guides businesses and project owners in their economic decisions, encouraging them to use resources, including natural resources created by humans, efficiently and to minimize environmental destruction, waste, and pollution, as well as to change their behaviors towards the living environment.

3. The Current State of Green Accounting in Vietnam

Regarding legal regulations, Vietnam enacted its first environmental law in 1993 and the amended Environmental Protection Law in 2005. The government issued Decree No. 67/2011/ND-CP on August 8, 2011, detailing tax subjects, tax calculation bases, tax declaration, tax calculation, tax payment, and environmental protection tax refunds; the Ministry of Finance issued Circular No. 152/2011/TT-BTC on November 11, 2011, to guide the implementation of Decree 67/2011/ND-CP; and Circular No. 159/2012/TT-BTC on September 28, 2012, amended and supplemented Circular No. 152/2011/TT-BTC.

However, currently, Vietnam has not yet issued an accounting regime related to the adoption of green accounting in businesses. The existing accounting systems lack guidance documents for businesses on how to segregate and monitor production and business costs, and there are no necessary accounts to record environmental cost items. There are not many state mechanisms and policies in place to encourage enterprises and organizations to research and apply green accounting.

Additionally, the study and implementation of green accounting in Vietnam are still quite novel. There aren't many domestic research projects on green accounting issues yet. Most businesses haven't paid much attention to matters related to green accounting. A few companies have shown interest in green accounting, but they face significant challenges in its application. The reasons identified include limitations in application methods, a shortage of skilled personnel, and a lack of advanced technology.

Table 2: Issues and Scope of Green Accounting in Enterprises

Characteristic	Issues and scope of green accounting
Pollution prevention costs	Expenses incurred to prevent air and water pollution along with water treatment facilities and other activities
Environmental protection costs	The cost of energy saving measures is the same as the cost of global mitigation measures
Cost of recycling raw materials	Costs incurred for waste minimization and treatment as well as water conservation, rainwater use and other measures used for efficient use of resources
Environmental restoration costs	Costs for environmental restoration activities (removing groundwater pollution, environmental compensation...)
Management costs	Management-related environmental protection costs include environmental promotion activities and costs related to obtaining and maintaining ISO 14001 certification
Cost of social promotion activities	Environmental protection costs come from participating in social activities such as participating in organizations related to environmental protection...
Research and development costs	Environmental protection costs for research and development activities and costs for environmental solution business activities (Green products/environmental technology and development costs, environmental solution business costs school, other expenses)...

Source: Compiled by Author

Some issues have arisen

Embracing green accounting in today's business operations and economic development at large reflects a commitment and social responsibility that a company or organization aims for in a sustainable environment. However, the application of green accounting, including environmental accounting, still poses some challenges in our country.

The first, implementing green accounting in general and environmental accounting in particular is a long-term process that demands serious execution and investment in research to achieve sustainable growth. Hence, there needs to be a clear understanding by management bodies and businesses of the role and significance of green accounting and environmental accounting to encourage wider application of this accounting practice. Currently, many business managers are not aware that the costs incurred in calculating environmental expenses are significantly lower than the total costs they would bear from taxes, fees, or fines resulting from environmentally harmful activities.

The second, on the whole, financial regulations, standards, and state accounting systems, along with corporate accounting tools, fall short in providing and meeting the necessary information regarding environmental costs as required for decision-making in contract agreements and financial reporting within companies. Therefore, moving forward, it's essential to continue enhancing and perfecting the legal framework related to green accounting.

The third, green accounting isn't widespread in companies, so most accounting departments lack staff with knowledge of environmental accounting or specialized environmental accountants. Therefore, companies need to focus on building and developing a skilled workforce, seeking, training, and establishing an accounting department with the capability and experience in green accounting.

4. Solutions to Promote the Application of Green Accounting in Vietnamese Enterprises

To boost the application of green accounting in Vietnamese enterprises, key actions that need to be focused on include:

Firstly, state regulatory bodies need to pay more attention to the adoption of green accounting in businesses; it's essential to research and issue guidelines on how to implement green accounting and to create policies that encourage individuals, organizations, and enterprises to explore and apply green accounting practices. The Vietnam Ministry of Natural Resources and Environment should consider developing and issuing guidance on green accounting, emphasizing its role as an effective tool for managing a company's environmental activities.

Secondly, we need to perfect the construction of an environmental efficiency evaluation index system. The environmental management reporting system will provide managers with information on environmental costs. However, to analyze this cost information effectively, managers must rely on a well-developed set of environmental efficiency indicators. Therefore, businesses, along with policy researchers, should focus on completing the development of this crucial index system.

Thirdly, businesses must heighten their awareness of the importance of green accounting, emphasizing research and implementation and considering it an integral part of the corporate accounting system.

Fouthly, let's harness the power of the 4.0 Industrial Revolution by integrating cutting-edge science and technology into green accounting practices to achieve high efficiency and international integration.

Fifthly, we should study the experiences of green accounting implementation from around the world, especially developed countries, to draw valuable lessons for Vietnam to maximize the effectiveness of green accounting in businesses.

5. Conclusion

Green accounting is seen as a vital tool related to the environmental impact on the economy and is regarded as a pathway to sustainable development, aiming for green economic growth. It's also a new and long-term approach that aligns with global development trends. The adoption of green accounting, particularly environmental accounting, contributes to providing accurate, transparent, comprehensive, and responsible information, thereby improving the corporate image in the eyes of regulators, shareholders, investors, and business partners. State regulatory agencies need to implement supportive policies; businesses and managers must shift their perceptions and have ample environmental information to make sound investment decisions. This way, they can profit from projects while avoiding environmental fines.

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