



## **The Role of Green Accounting in Efforts to Prevent Environmental Pollution to Support Going Concern at CV. DBU**

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**Abstract:** Green accounting is how to include the consequences of an event concerning the environment in financial statements. This study aims to determine whether environmental cost management at CV. DBU in Denpasar City based on green accounting. This research was conducted at the meat processing company due to their operational activities using an interpretive approach to CV. DBU. Data collection was carried out by interview technique and other secondary data support. The results of the study stated that CV. DBU based on the discussion, it was known that the implementation of green accounting has a positive impact on efforts to prevent environmental pollution. In addition, the implementation of green accounting also has an impact on increasing business sustainability. With the application of environmental accounting or green accounting the company will pay more attention to environmental problems. By paying attention to the environment, business continuity would be guaranteed.

**Keywords:** *Green Accounting, Environmental Cost*

### **1. Introduction**

People around the world are starting to feel environmental damage along with the development of the industrial sector. When some of these factories ignore the preservation of the natural environment by disposing of liquid waste into the river without an environmentally sound waste management process. Indonesia needs to balance economic development with environmental sustainability. Not only that, in the field of accounting it also plays a role in environmental conservation efforts, namely through voluntary disclosure in financial reports related to environmental costs. An accounting system in which there are accounts related to environmental costs is called green accounting or environmental accounting [1]. Based on this, green accounting is the first step to become a solution in these environmental problems. The aim is to improve the efficiency of environmental management by assessing environmental activities from a cost point of view (environmental costs) and the benefits or effects (economic benefit), as well as the effect of environmental protection.

CV. DBU will be said to be concerned about environmental problems if the company has concerns around it. The company maintains environmental sustainability or the application of green accounting is an effort that connects the company's economic interests and environmental preservation. Companies



are sometimes unable to specify the costs associated with the environment, for example, companies combine environmental costs into overhead costs so that they are hidden and managers find it difficult to track and control these costs. This is also related to corporate social responsibility (CSR) which is the business approach at CV. DBU by providing economic, social and environmental benefits for all stakeholders. CSR is closely related to "sustainable development", that is, an organization, especially a company, in carrying out its activities must base its decisions not solely on its impact in an economic aspect, for example the level of profit or dividends, but must also consider the social and environmental impacts arising from this decision. both for the short term and for the longer term. One of the industries that produce waste is the meat processing industry. CV. DBU was established in 2002. This company is engaged in meat processing, from raw materials to processed food. An increase in food production is expected, but the increase of food production would be impact straight to the production waste, this should also get the attention of all parties, especially the factory that produced the waste.

## 2. Literature Review

### 2.1 Legitimacy Theory

Legitimacy theory explained that disclosure of social responsibility is carried out by companies in an effort to gain legitimacy from the community where the company is located and maximize its financial strength in the long term. The underlying theory of legitimacy is a "social contract" that occurs between the company and the community where the company operates and uses economic resources [2].

### 2.2 Green Accounting

Green accounting is the merging of environmental information, benefits and costs into various accounting practices and incorporating environmental costs into business decisions [3]. In Additional green accounting function to identify, measure, assess, and disclose the costs associated with the company's activities related to the environment [4].

### 2.3 Going Concern

The sustainability of a company is how long the company can develop and maintain its company condition. According to Burhany (2014) a sustainable industrial area can be realized by applying principles that are appropriate for the use of resources and materials (raw materials and energy) must be optimal, namely by using which refers to the flow of environmentally friendly materials [5].

### 2.4 Green Accounting as Corporate Environmental Responsibility

Various negative impacts of company operations require an environmental accounting system as a control of corporate responsibility because waste management carried out by companies requires measurement, assessment, disclosure and reporting of waste management costs from the results of company operations. Treatment of waste management is an important part of controlling the company's responsibility for its environment [6].

### 2.5 Green Accounting as an Innovation to Prevent Environmental Pollution for Business Continuity

The application of environmental accounting will encourage the ability to minimize the environmental problems it faces. The application of the *green accounting* concept in Indonesia, which is a developing country, still required an acculturation process of ecological-based economic attitudes and behaviors which do not necessarily apply in a social accounting area, or have broad spectrum effects in other fields [7].

## 3. Research Method

This research used descriptive qualitative data that comes from primary data and secondary data. Primary data sources are data sources that are collected directly from the original source (not through intermediary media) and still require a more in- depth analysis in this study including the results



of interviews with management, while secondary data are sources of research data collected by researchers indirectly through intermediary media.

## 4. Result and Discussion

### 4.1 *Green Accounting in Reducing Environmental Pollution*

The company tried to gain legitimacy from the local community by trying to follow the value system that exists in the surrounding community. CV. DBU has issued special costs for the environment, because the company is aware of the impact of the company's production activities that produce waste that will have an impact on environmental pollution. However, the disclosure has not been disclosed so that it is mixed with other costs. So that the accounting section still uses conventional accounting which has not accommodated activities that have been carried out on the environment and has not been disclosed in the financial statements.

#### 4.1.1 *Cost in Waste Management*

Costs that related to environmental cost reported by CV. DBU consists of the manufacture of STP (*Sewage Treatment Plant*) and built facility such as liquid waste containment. In addition, waste samples are taken to be checked in the laboratory before flowing into the natural environment and every 2 days it is checked by STP officers. Based on that costs about Rp57.000.000 is allocated to waste management.

#### 4.2 *The Implementation of Green Accounting in Going Concern*

The implementation of *green accounting* in companies would reduce the occurrence of environmental pollution so that it is expected human awareness and knowledge of the impact of environmental damage will affect the sustainability of life in the future. Production management at CV. DBU yet know how the concept of *green accounting*, but the expenses for the environment has been implemented. The application of *green accounting* is very supportive of the company in disclosing the environmental problems it faces. Especially in terms of production that produces waste if it is not processed first it will not be good for the environment, so we should pay more attention to the environment and communities around the company environment.

#### 4.2.1 *Going Concern in Term of Profit*

Going concern of CV. DBU is in an unstable financial condition, causing losses, but continues to carry out operational activities due to consumer demand for home industries. So that in carried out its operational activities cash reserved are used in addition to the costs to the environment are still implemented.

#### 4.2.2 *Green Accounting in Maintaining Environmental Sustainability*

In the company's operational activities related to environmental sustainability, it referred to the AMDAL, document in managing and monitoring carried out by the Environmental Agency to directly review operational activities. This is supported by the PROPER certificate because the waste produced is not dangerous and can be channeled directly into nature. In addition, green accounting activities must also equalize the existing value system in the community and the existing value system in the company so that it will provide a positive image in the community in making decisions on environmental disclosures. This is in line with (Dowling and Pfeffer, 1975) which stated that an organization must try to create harmony between the social values inherent in its activities with the norms that exist in the social system of society [8].

#### 4.3 *Green Accounting Expectations in Supporting Going Concern*

In the implementation of production activities, CV DBU. There are environmental costs for DBU, but these costs have not been grouped according to the category. From this information, costs associated with environmental activities will be classified into two cost categories, namely: *environmental*

*prevention costs* and *environmental detection costs*. In the classification of the types of production waste produced by CV. DBU has been done but this is not in accordance with the theory (Hansen and Mowen 2009) including the cost of training and teaching employees to study environmental impacts, environmental risk audit fees, costs of conducting field research, and costs of developing environmental management systems [9]. Next, there are only two costs for environmental detection, namely the cost of analyzing liquid waste and solid waste, this is not in accordance with the theory which consists of environmental activity auditing costs, environmentally friendly product and process inspection costs, development costs for environmental performance measures, the cost of implementing pollution testing, the cost of verifying environmental costs and the cost of measuring the level of pollution besides that of the internal environmental failure costs [10], [11], but in CV. DBU only prepared reforestation costs and this is not in accordance with theory of Hansen and Mowen. In their theory, the internal environmental failure costs consist of river cleaning costs, inefficient use of raw materials, and costs of cleaning contaminated land.

**Table 1.** Billing Ratio Environmental Expense Report Formulation

No.	Environmental Costs
1	Environmental Prevention Costs
1.01	The cost of evaluating and maintaining pollution control equipment
1.02	Product costs to reduce waste
1.03	The cost of training studying environmental impacts
1.04	Environmental risk audit fees
1.05	Field research implementation costs
1.06	Environmental management system development costs
1.07	The cost of obtaining a certificate
2	Environmental Detection Costs
2.01	Environmental activity audit costs
2.02	Environmental friendly product inspection fees
2.03	The cost of developing a performance measure
2.04	Costs of conducting pollution testing
2.05	Environmental performance verification costs
2.06	Pollution level measurement costs
3	Environmental Internal Failure Costs
3.01	Equipment operating costs to reduce pollution
3.02	Toxic waste disposal and management costs
3.03	Pollution equipment maintenance costs
4	Environmental External Failure Costs
4.01	Costs of cleaning up polluted rivers / lakes
4.02	Cost of using raw materials inefficiently
4.03	Oil cleaning costs spilled
4.04	Cost of cleaning up contaminated soil
4.05	The cost of work accidents that are not environmentally friendly

Based on Table 1 it could be seen that the environmental costs of CV. DBU based on the classification. The measurement of the company's environmental performance is based on the environmental activities carried out by the company during the productivity process by identifying these environmental costs, both internal and external costs, which will have a positive impact on the company's environmental performance [12]. This is in accordance with (Hardianti 2017) that disclosing all costs related to the environment and allocating these costs based on their categories will have a good

impact on the company's environmental performance [13]. So that the application of green accounting at CV. DBU will have a positive effect on environmental performance and will support the sustainability of the business going forward.

## 5. Conclusion

Based on the results and discussion it could be concluded that the *green accounting* as innovation reducing environmental pollution could apply well enough to get legitimacy from the surrounding community. So that the company has an awareness of the environmental interests of the company for the sustainability of its business in the future, besides that the company can disclose the environmental problems it faces and the evaluation process such as environmental activities and always analyzes the problem of production waste. In their implementation, the company paid for environmental preservation, but there is no classification of environmental costs and CV. DBU classified it into other costs so that environmental cost was not visible in the financial statements.

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