



# CONFERINȚA ȘTIINȚIFICĂ INTERNAȚIONALĂ CONTABILITATEA ȘI EDUCAȚIA CONTABILĂ ÎN SOCIETATEA DIGITALĂ

Ediția VIII



4-5 Aprilie, 2019, Chișinău, Republica Moldova



**Academy of Economic Studies of Moldova**



Полоцкий Государственный  
Университет, Belarus



Odessa National Economic University,  
Ukraine



**THE INTERNATIONAL SCIENTIFIC CONFERENCE**

# **ACCOUNTING AND ACCOUNTING EDUCATION IN THE DIGITAL SOCIETY**

**VIII Edition**



**April 4-5, 2019, Chisinau, Republic of Moldova**

CZU 082:657=135.1=111=161.1

C 69

Acest volum de lucrări științifice a fost finanțat de Academia de Studii Economice în cadrul proiectului 17/22.10.18F. „Contabilitatea și educația contabilă în societatea digitală” pentru Organizarea Manifestărilor Științifice Internaționale, finanțat de la bugetul de stat pentru anul 2019. <https://ancd.gov.md/sites/default/files/document/attachments/Proiecte%20Manifestari%202019%20%20%28proiecte%20finantate%29.pdf>

***Responsabilitatea pentru conținutul fiecărui articol aparține autorilor***

#### Descrierea CIP a Camerei Naționale a Cărții

**"Contabilitatea și educația contabilă în societatea digitală", conferință științifică internațională (8 ; 2019 ; Chișinău).** Contabilitatea și educația contabilă în societatea digitală = Accounting and accounting education in the digital society : Conferința Științifică Internațională, Ed. a 8-a, 4-5 aprilie 2019, mun. Chișinău / com. șt.: Grigore Belostecinic (președinte) [et al.] ; com. org.: Liliana Grigoroii (președinte) [et al.]. – [Chișinău : S. n., 2019 (Tipogr. "Arva Color")]. – 399 p. : fig., tab.

Antetit.: Acad. de Studii Econ. a Moldovei, Univ. Ștefan cel Mare din Suceava, România, Asoc. of Chartered Certified Accountants (ACCA) [et al.]. – Tit. paral.: lb. rom., engl. – Texte : lb. rom., engl., rusă. – Rez.: lb. rom., engl. – Bibliogr. la sfârșitul art. – Referințe bibliogr. în subsol. – Apare cu sprijinul financiar al Acad. de Studii Econ.

Disponibil: <http://www.ase.md/facultatea/contabilitate/catedra/caae/activitate-stiintifica/conferinte-stiintifice.html>

ISBN 978-9975-127-67-7.

082:657=135.1=111=161.1

C 69

ISBN 978-9975-127-67-7.

## ACCOUNTING OF ENVIRONMENTAL PROTECTION COSTS IN THE CONTEXT OF SUSTAINABLE DEVELOPMENT

CZU: 657.471.1:504.03(476)

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**Summary:** *The current state of accounting for environmental costs has been studied and the authors views on the problematic aspects of their reflection in the accounts have been investigated. The proposed areas for improvement allow to detail the information in the context of sub-accounts and individual analytical accounts opened for them by types of costs, which in turn will allow the formation of environmental-oriented information on environmental protection costs in the accounting system.*

**Keywords:** accounting, environmental assets, costs, accounting policies, accounting (financial) statements

**JEL Classification:** M 41

**Introduction**

The National Strategy for Sustainable Socio-Economic Development of the Republic of Belarus for the period until 2020 provides for the need to ensure the practice of economic activities of organizations with accounting information that contributes to greening production and environmental management in order to preserve and improve the quality of the environment. At present, business entities of the Republic of Belarus can carry out both environmental management and environmental protection activities (current environmental protection activities, environmental protection measures) within the framework of their main activity, but due to the lack of requirements of regulatory legal acts, they have no interest in identifying new environmental accounting objects component of their activities. The se accounting objects are reflected separately in the assets of business entities only by the decision of the owners, so there is no systematization of information in the account. This leads to the loss of the relationship between environmental management, environmental protection measures and the results of economic activity at the micro and macro levels. Many domestic and foreign authors draw attention to this problem, as in modern economic conditions, the need of users for environmental-oriented data generated in the accounting system of accounts and reflected in the accounting (financial) statements is increasing.

**Basic content of the paper**

In accordance with the Law of the Republic of Belarus «About An Environmental Protection»: «... environmental protection (environmental activities) - the activities of the government agencies, public associations, other legal entities and citizens, aimed at preserving and restoring the natural environment, rational (sustainable) use of natural resources and their reproduction, prevention of pollution, degradation, damage, depletion, destruction, demolition and other harmful effects on the environment of economic and other activities and liquidation of its consequences ...» [1]. From this definition, it follows that environmental protection activities are associated with the creation of long-term environmental protection assets and the implementation of current expenditures on them.

So, Professor R. Gray of the Center of the Social and Environmental Accounting Studies at the University of Dundee, Scotland, in the recommendations on the composition of the data from the consolidated environmental report, believes that: «... the promulgation of the results of environmental activities remain voluntary, it will be the lot of the minority, mainly large companies» [2, p. 35].



Y.V. Sokolov and V.Y. Sokolov noted: «Economically developed countries try to spare no expense on environmental protection, and a huge problem arises, how to take these costs into account» [3, p. 270]

Describing the costs of environmental activities V.F. Paly and V.V. Paly call them current (operational). Current expenses directly related to environmental measures and production safety can be divided into obvious and hidden. To explicit costs can be attributed to the costs of operating individual installations, units and structures for environmental protection ... costs for the control and monitoring the state of the environment ..., other costs that can be directly calculated and taken into account as environmental ... Hidden current expenditures on environmental protection measures are difficult to calculate directly, because they are part of other integrated costs or represent double assignment costs. Hidden costs are distinguished from individual items of expenses by calculation on the basis of expert opinions [4, p. 639-640].

A.V. Zotov emphasizes: «The difficulties of linking environmental protection measures with traditional types of economic activity in Russian entrepreneurship leads to the fact that in the existing domestic accounting system data on assets in the sphere of nature management and environmental protection are lost» [5, p. 50]

According to A.S. Zhanturenova, «... at present, information on the state of the environment is still very little used in economic policy, the interests of short-term gain often prevail» [6, p. 18].

It is important to note that in the Republic of Belarus by the Order of 21.08.1997 № 194 of the Ministry of Natural Resources and Environmental Protection was approved and acted until 14.12.2013. «Classifier types of environmental activities and costs of environmental protection (CTEACEP)». The structure and content of the CTEACEP took into account the recommendations of the Conference of European Statisticians presented in the European Unified Standard Statistical Classification of Environmental Objects and Expenditures on Environmental Protection (Paris, 13-17 June 1994, document CES / 822). According to the CTEACEP, environmental activities were an integral and separate component of the company's economic activities, which are aimed at solving environmental protection problems. In the classifier, forms of environmental protection were established, their definitions were given and the «Main types and groups of environmental costs» were approved [7].

In our opinion, the current lack of a regulatory legal act systematically classifying types of environmental protection activities and the cost of environmental protection is a significant drawback. We can, relying on normative acts, identify and classify their types only indirectly, based on the meaning of the provisions of normative legal acts in which the concept of «environmental protection» is used. This, in turn, may lead to a lack or absence of the necessary data for specifically specified positions, and the information provided to a wide range of users will be «general» in environmental protection and environmental management.

The importance of regulation by the state of individual classification signs of costs and their fixation in regulatory documents emphasizes the Belarusian scientist Papkovskaya P.Ya. and in this regard, notes that «... a sufficient detail of the regulations does not allow different accounting interpretations ... what interests both business entities and the state» [8, p. 52-53].

We consider it necessary to emphasize that it is the form of environmental activities that justifies the classification of costs for environmental protection in accounting for long-term and short-term ones. At the same time, environmental protection measures are mainly capital expenditures and, accordingly, are subject to reflection in the organization's long-term environmental assets. Therefore, it is necessary to reform the system for collecting and presenting data on environmental activities in order to bring it in line with current trends in the generation of accounting and analytical information. The author provides an analysis of the fragments of the working plans of the accounts of two organizations in Novopolotsk, which confirms what has been said. The information obtained indicates that the system of analytical accounts of organizations is not ecologized, which in turn does not ensure the formation of environmental-oriented data on environmental protection costs.

However, more and more often in the practice of managing organizations incur costs associated with environmental management and environmental activities. We believe that in accounting

organizations should be allocated, classified and take into account the current costs of environmental protection associated with the maintenance of environmental assets of environmental management and environmental activities. At present, the existing methods of accounting do not allow to form such detailed information, since organizations do not carry out its analytical and separate synthetic accounting. Therefore, it is reasonable to structure analytical accounting on separate subaccounts.

It should be noted that the organization's expenses also include current expenses for environmental protection, which are related to the maintenance and protection of natural resources located on its territory, but not participating in the production process, not reducing the tax base when calculating taxes, therefore, the business entity no interest in making such expenses. In this regard, it is important to emphasize that the list of harm caused to the environment in the territory of the Republic of Belarus includes the destruction of lawns or flower beds. Thus, if a business entity does not incur current expenses for maintaining these facilities, regardless of its financial position, it may be subject to administrative liability.

So, at the present time the costs of landscaping and planting of the territory of the organization are appearing. In this regard, we offer current expenses related to the maintenance, improvement and protection of natural resources, initially to account for the debit of account 97 «Expenses for future periods», subaccount 2 «Short-term environmental assets» by type [9 p. 84]. Then monthly to include them in the composition of other expenses (Dt 90) in parts. For example, by nature management assets, according to the vegetative period of plant growth. After a complete write-off, it is recommended to take into account the current costs of environmental management and environmental activities in the new off-balance sheet account 019 «Long-term and short-term environmental assets» proposed by the author, in the context of areas [9 p. 84-91]. Information of this account is subject to reflection by types of accounting objects. The proposed methodology for recording the organizations of current expenditures of environmental management and environmental activities in accounting will allow to generate information on expenses that do not reduce the tax base when calculating the income tax, and to make appropriate decisions on the feasibility of their implementation and monitoring their condition.

We believe that the proposed method of accounting will contribute to obtaining the necessary and useful information when conducting environmental monitoring. At the same time, the costs of gardening are «lost» with each passing year and the motivation for their implementation weakens. Consequently, when developing and approving regulations on the composition of expenses that reduce the tax base when calculating the income tax, these types are also provided that are not related to the production process but reflect modern requirements for increasing environmental responsibility, which in turn will be promote their implementation by business entities.

## Conclusions

According to the results of the study, it can be concluded that information on environmental protection costs should be structured by analytical accounting, reflected by a separate synthetic accounting and presented in reports in order to familiarize users with the level of the organization's environmental culture, its rational nature management. In turn, environmental-oriented reporting indicators of the organization will facilitate informed management decisions with environmental benefits. The developed method of recording current expenditures related to the maintenance, improvement and protection of natural resources will allow to obtain reliable and complete information on the costs of environmental protection in accordance with the country's sustainable development strategy necessary for making timely management decisions.

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