

THE RELATIONSHIP BETWEEN THE ACCOUNTING MODEL AND THE REQUIREMENTS OF SUSTAINABLE DEVELOPMENT, IN THE CURRENT PANDEMIC CONTEXT

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Abstract:

In the last four decades, there has been an awareness that human activity can generate irreversible changes on the environment, depletion of non-renewable resources and the destruction of biosystems essential for the existence of life on Earth. At the same time, it was realized that sustained efforts are needed to generate fundamental changes in the way economic activities are designed and implemented, so that the well-being of contemporary society is not achieved at the cost of destroying the chances of ensuring a better life for future generations. In this article we started with the following questions: What is the relationship between the accounting model and sustainable development? To what extent is the cost of sustainable development understood? Who are the people who support it? In order to find out the answers, we carried out a qualitative empirical research, through which to receive answers not only about the existence of this relationship but also about the significance and the persons (natural and legal) who bear the cost of sustainable development. Finally, we made a correlation between this cost and the current pandemic period.

Keywords: accounting modeling, the cost of sustainable development, pandemic

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1. Introduction

In this article we started with the following questions:

- ✓ What is the relationship between the accounting model and sustainable development?
- ✓ To what extent is the cost of sustainable development understood?
- ✓ Who are the people who support it?

In order to find out the answers, we carried out a qualitative empirical research, through which to receive answers not only about the existence of this relationship but also about the significance and the persons (natural and legal) who bear the cost of sustainable development. Finally, we made a correlation between this cost and the current pandemic period.

To analyze the relationship between the accounting model and the sustainable development, we conducted a qualitative research, through which we received answers about the type of relationship and the significance of the cost of sustainable development, but also information on persons (individuals and legal entities) who currently bear this cost.

The sampling method was random, the target group of the interview was represented by the heads of the financial-accounting department (economists, chief accountants) from the enterprises from Dâmbovița county who would have possibilities to implement a strategy based on sustainable development.

The interview is structured in two parts - part I. Sustainable development (five questions) and part II. The relationship accounting - sustainable development (three questions). Were interviewed 15 people with positions in the economic field from different economic entities of Dâmbovița County (13 people domiciled in Târgoviște; and the other two people who reside in Târgoviște but work in the capital and in Dâmbovița County).

2. The objectives and hypotheses of the qualitative research

Starting from our doctoral studies, the qualitative research pursued the objectives:

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- **O1.** What are the economic indicators that best reflect the elements of sustainable development;
- **O2.** What is the perception of specialists regarding the cost of sustainable development;
- **O3.** What is the accounting information that refers to sustainable development;
- **O4.** What is the opinion on the integration of sustainable development requirements in current accounting practices.

Through this qualitative research we want to verify the interviewees' perception of the relationship between accounting and sustainable development, and at the same time to know their opinion about the cost of sustainable development.

3. The profile of the interviewees

The interviewees are employees of companies that have various fields of activity such as - wood processing industry (two people), hotel industry (five people), metallurgical industry (two people), accounting offices (four people), food and non-food trade (one person), cosmetics industry (one person). The sample was chosen at random and is represented graphically in figure no.1.

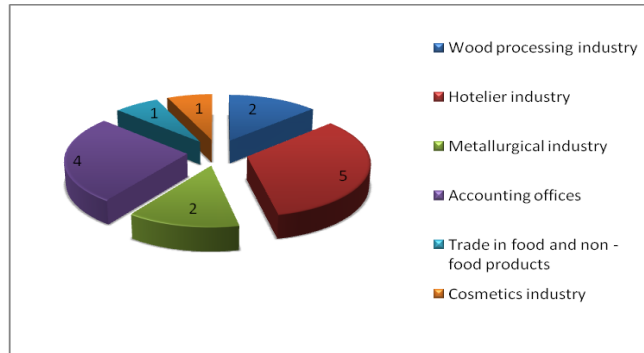


Figure no.1. The field of activity of the companies of the interviewed persons

4. The results of the qualitative research

4.1. In the first part of the interview we wanted to know the level of understanding of the phrase “sustainable development” and we found the almost total association of the term with the ecological development (the interviewees being familiar only with a component of sustainable development – the ecological one, very little with the social and economic ones). Therefore, to the question, “*What does sustainable development mean to you?*” most respondents define sustainable development as the totality of those long-term strategies pursued by companies, such as investments in technology and human resource qualification. These actions of the companies “*will be carried out in compliance with the rules on environmental protection*” (company in the metallurgical industry).

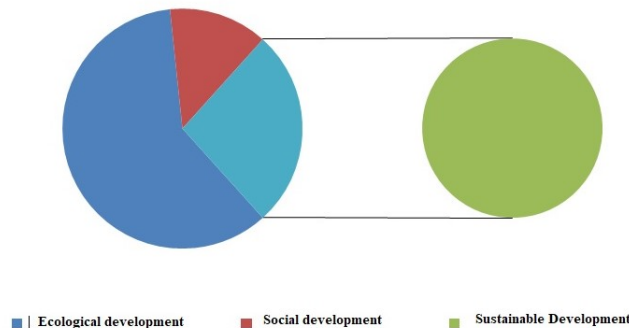


Figure no.2. Perception of sustainable development

The “environment” component is associated with sustainable development, the interviewees wanting to exemplify how it needs to be protected by commercial entities, they propose investing in less polluting technologies. Sustainable development in the perception of the interviewees is reduced to ecological development (80% of the answers) and social development (20%).

4.2. In the second question: “*What should an entity do to be considered an enterprise that takes into account sustainable development?*”, the interviewees proposed certain actions that the entity within they develop their activity performs or intends to undertake:

- in-depth market research;
- to access certain European projects (POSCCE- which facilitates the purchase of equipment that preserves the environment);
- to stop pollution and abuse on the excessive use of natural resources;
- to invest in clean technologies and in reward systems for their own employees;
- to combine the three forms of efficiency - economic, social efficiency and the eco-efficiency corresponding to the three pillars of sustainable development.

Wood processing industry	European funds; Non-polluting technologies; Employee reward systems;
Hotelier industry	In-depth market studies about the company's current and future activity;
Metallurgical industry	Stopping pollution and abuse - related to overuse of natural resources;
Accounting offices	Combining the three forms of efficiency-economic-social-eco-efficiency;
Trade in food and non - food products	Stopping pollution; Non-polluting technologies;
Cosmetics industry	Non-polluting technologies; Reward systems for own employees.

Figure no.3. Perception of measures taken to achieve sustainable development

The shares of the interviewees' entities are represented graphically by the categories of companies interviewed within figure no.3.

In other words, the interviewed people proposed certain measures aimed at achieving sustainable development. From our point of view, these measures can be applied to most of the fields of activity chosen by the Romanian companies.

During the interview we could observe how the people interviewed did not offer in response activities currently carried out by their entities but only the ones that "should" be carried out by a company (excepting the two responses of the companies in the wood processing industry who supported the program accessed to increase economic competitiveness: POS-CCE which states that they purchased machinery and technological equipment that respects the environment and the people at the same time). Even if the question did not specify anything about what their entity is doing for sustainable development, this did not prevent them from answering about the actions currently being taken by their company. From these answers we can conclude (even from the beginning of the interview) that the companies of the interviewees are not so much concerned with the integration in the accounting model used of the requirements of sustainable development.

4.3. The cost of sustainable development is significant for most respondents at the macroeconomic level, with only five respondents mentioning the microeconomic level (hotel industry). Most interviewees acknowledged that their company does not calculate such a cost, *"perhaps at the macroeconomic level"* (metallurgical industry). We did not request any answer (from the interviewees) about the composition of this cost of sustainable development, considering that each company that wants to meet the requirements of sustainable development will calculate such a cost specific to the field of activity.

4.4. Regarding this cost of the sustainable development, they mention the nature or civil society. *"Investment in the environment is generally considered a public investment"* (accounting firm), and implicitly the State is the one that supports it. Only seven interviewees (from the hotel entities, the metallurgical industry and those from the accounting firms) believe that the company is responsible for this cost and can include it in expenses.

We consider that the economic entities bear a small percentage of this cost of sustainable development, those who feel the non-quantification of this cost are the citizens. The state is responsible for not regulating drastic laws for polluters (not only fines but also other measures to make them behave responsibly towards the environment and their own employees). Citizens bear the cost of a "sustainable" development (for which economic entities are mainly responsible) both financially and psychologically (increased levels of stress, increasingly sensitive health).

4.5. Most employees are not aware of the problems created by the companies on the environment or on their own lifestyle. For them, the concept of sustainable development is insignificant. Only certain employees with a higher and average level of education, less *"ignorant"* (accounting firm) realize the impact on the environment and the need to implement the requirements of sustainable development at the microeconomic level. This may be due to the non-promotion of an organizational culture (based on the values of a sustainable business development) to all employees of the company. In the vast majority of cases, TESA (Technical Economic and Social Administrative) employees enjoy the privilege of being informed about the company's actions taken for sustainable development.

In part II regarding the field of accounting, we asked the interviewees to answer YES or NO, and depending on the answer offered, to detail it.

4.6. In the opinion of all respondents there is a link between accounting and sustainable development. One response impressed us *"there is a two-way relationship between accounting and sustainable development: accounting can contribute to a rigorous quantification of environmental benefits through satellite and other accounting, and sustainable development can raise new challenges for accounting in introducing concerns and issues. environment in any economic-social decision at entity level and a better reflection of the costs and benefits of the entity"*(accounting office).

4.7. They all confirmed the relationship between accounting and sustainable development. Instead, the others mentioned as information: *"the value of tangible assets"* (wood industry), *"all accounts in the Balance Sheet that are directly or indirectly related to expenses and results"* (accounting firm), *"information about employees and the environment"* (company hotel), *"environmental taxes"* (accounting office), *"profit"* (cosmetics industry)".

4.8. Regarding the existence of accounting information related to sustainable development, half of the interviewees did not identify such information. Regarding the

integration in the current accounting practices of the elements of sustainable development, most of the interviewees stated their non-integration. Only four people mentioned that the entities did not integrate this information but can prepare separately a Special Report dedicated to environmental information. In other words, this responsible behavior, which includes in the accounting model the requirements of sustainable development, is voluntary.

Table no.1. Affirmative / negative answers related to the accounting field

Entity type	Existence of the link between accounting and sustainable development	Existence of information in accounting that refers to sustainable development	Integration in current accounting practices of the elements of sustainable development
Wood processing industry	Yes	Not	Yes
Hotelier industry	Yes	Yes	Yes
Metallurgical industry	Yes	Not	Not
Accounting offices	Yes	Yes	Not
Trade in food and non - food products	Yes	Not	Not
Cosmetics industry	Yes	Yes	Not

According to the data in table number no.1 we can say that 50% of the interviewees perceive the existence of information in accounting related to sustainable development, while the other 50% do not identify this information (the answers received have the following pattern: “*there is no separate account in which to enter such information*” - metallurgical industry).

5. Conclusions regarding the relationship between accounting model and the requirements of sustainable development

The result of the interviews is not surprising due to the most of the interviewees' unawareness of the indicators proposed for quantifying the actions of the sustainable development - listed by Eurostat and the Institute of Statistics of Romania. The impossibility of concretely defining the costs of sustainable development by the competent persons (who can perform the analysis of the company in which they operate) and the presentation of some indicators other than those provided for sustainable development, make us say that accounting actions taken to reflect the cost of sustainable development are almost nil. Economic entities do not calculate this cost of sustainable development for the simple reason that they do not perceive as a gain the knowing of the value of this cost in order to start applying it. This unawareness negatively influences the calculation of sustainable development indicators.

We consider the definition of “sustainable development” as ecological development an automatism by the interviewees. The respondents are aware of the priority of profit within economic entities. In other words, the lack of mentioning the profit as a general objective of a commercial entity from Dâmbovița County (and from Romania) is interpreted as something that must be understood. All actions towards the environment will be undertaken by the economic entities only if those actions will positively influence the profit obtained, otherwise, on the contrary there is no question of integrating, in the accounting model practiced, the requirements of sustainable development. From the perspective of an employer this fact is real because currently the activities of the companies are oriented only on the short term.

Accounting information related to sustainable development, identified by the interviewees, is based on investments in new high-performance technologies (accessing European funds - for example POS-CCE - or other types of financing) and in the qualification of human resources. Although the interview did not ask for information on what the respondents' entity is doing in order to have a sustainable development, this was not an obstacle in responding with the actions which are currently being carried out. Only two interviewees took advantage of the question to present their actions for sustainable development, those in the wood processing industry. These economic entities have been concerned with implementing an accounting model that integrates the requirements of sustainable development. From our point of view, the other answers received are incomplete, abstract, and create an image of those companies (of profit-oriented entities).

Currently, in Romania the one who bears the cost of sustainable development is the State and we all feel the effects. In our country, polluters are not properly sanctioned, and the laws are not applied. In our opinion, the state is responsible for the irresponsibility of economic agents by the lack of much tougher laws for polluters. "Responsible" laws would not leave a polluter unidentified, nor would it make him pay only a fine, but would cause him to change his technological process so that the pollution incident would no longer exist in the future. On the other hand, these "responsible" laws would not allow such polluting technologies to be constantly unsupervised and monitored both by the economic entity and by the state or citizens.

For example, in the case of the organic farmer, this constraint on sustainable development is felt by a loss to the profit of financial accounting which is a priori not very encouraging. The current economic situation highlights the fact that "*non-sustainable*" farmers record in accounting a fictitious profit that "*a "green" auditor will have to denounce by refusing to certify their accounting*" (as the certification is rejected in the absence of financial amortization) and which "*a green State must tax 100%*", without excluding the calculation of penalties for crimes against the "*forest code*" and the occurrence of "*compensation for environmental damage.*"

From the answers received about the degree of knowledge and involvement in the sustainable development of all employees, we observed the discrimination performed by the entities towards the directly productive employees. These employees ignored by the companies (they form the vast majority of employees in some economic entities) are not concerned with the problems created by companies on the environment or their own lifestyle because they are concerned about "survival". In other words, they want to receive a salary to support their family, that is, to ensure a decent daily living. In our opinion, employees with a high level of training, and who hold positions that ensure their daily living easily, think about their health and the sustainable development of both their own family and the economic entity. Often these employees support the implementation of new accounting models that integrate the requirements of sustainable development at the level of their entity.

Currently, this Special Report includes the actions of the entity conducted for the implementation of social economic responsibility, namely support for various cases (sponsorships for natural disasters, donations for cases of incurable diseases, sponsorship of national or international events, etc.). In Romania, listed economic entities provide a series of data on actions taken for sustainable development (such as information on environmental management and environmental policy implemented at the level of the organizations), while the unlisted ones do not usually do so. In conclusion, the cost of sustainable development is not established in the entities of the interviewees (it can be estimated but this is not done either), this fact affecting the indicators of sustainable development. In other words, through the interview, is validated the hypothesis according to which the relativity of the estimation of the cost of sustainable development influences the level of sustainable development indicators.

Regarding the current pandemic situation, the integration of the cost of sustainable development is delayed, human safety being paramount. At the same time, nature is regaining its strength through this crisis.

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