ACCOUNTING FOR SUSTAINABILITY - STRATEGIES AND ARGUMENTS OF GLOBAL CHALLENGES

Adriana Păduraru (Horaicu), PhD. Stud.
IOSUD-SDSE Valahia University of Targoviste, Romania,
adriana_paduraru@yahoo.ro

Ana-Maria Comândaru (Andrei), PhD. Stud.
IOSUD-SDSE Valahia University of Targoviste, Romania,
annyys13@yahoo.com

Christiana Brigitte Sandu, Associate Professor.
Faculty of Economics and Business Administration,"Alexandru Ioan Cuza" University of Iași, Romania,
itte7@yahoo.com

Mihai Andrei Mirica
IOSUD-SDSE Valahia University of Targoviste, Romania, andrei_mirica@yahoo.com

ABSTRACT: *Given the current changes in the business environment, as a result of awareness of sustainable responsibility, it is necessary to develop new reporting models, both in accounting theory and in practice, evoking the beginning of a repositioning to highlight the social importance of accounting. The complexity of sustainability issues and the means considered as an 'integrating factor' needed to address them, this article lies in a transdisciplinary debate that validates the requirement for a new accounting model. It is intended to lead to progressive decision-making and accountability models to build a key link between the entity and all stakeholders (investors, customers, suppliers, corporate governance agencies, employees and other groups): called sustainability accounting.*

Thus, our research proposals on accounting strategies for sustainability propagate in-depth analysis to multiple perspectives of performance measurement: strategies on cost analysis in sustainability accounting, strategies and tools for measuring the risk sand performance of entities from the perspective of sustainable development.

Keywords: *accounting, sustainability, entity, strategies, performance, tools, social responsibility.*

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INTRODUCTION

In an unpredictable and highly competitive global market, where economic entities exert great pressure, the role of economists, particularly accountants, extends beyond the narrow knowledge of regulation to include vision, adaptability and a high capacity to address sustainability issues. Thus, the integration of sustainability in economic education and practice is required (Munteanu, Stanescu & Rakos, 2013), so that entities can reach that much desired level of economic competitiveness.

Based on the review of the literature we outline the idea that although there is a significant interest in approaching the concept of sustainability in economic education, with particularization in accounting, demonstrated by the wide range of topics covered in a large number of high quality journals, dispersion

is extremely high, topics are not treated consistently and the impact of research is not reflected in practice. There is a need for a development of research based on documentation on the deepening of economic disciplines that deals centrally or collaterally with aspects of sustainability.

Such a development of economic / accounting education towards sustainability has a high potential for success, given the importance of accountants for the business sector, as well as the importance of the business sector for sustainable development, both observed and expressed by academics, profession and the business environment. (Ionescu, Coman, Paschia, Nicolau & Stanescu, 2020).

Accounting for sustainability requires that well-founded research meant to lead to the discovery of new aspects of the essence of education in economics and accounting, stakeholder requirements and the concept of sustainability designed at the micro and macroeconomic level. The complex actions between these elements must result in designs, innovations, new evolutions and solutions to the traditional approaches of university education increasingly present both in scientific research and in the business policies of the entities (Ionescu, Coman, Lixandru & Groza, 2017).

Analyzing the international literature, as well as the one in Romania, we observed that it aims to highlight the stage of development in the literature that addresses accounting for sustainability and to establish the main trends adopted by specialized international publications and Romanian researchers. Taking the view that these two types of research complement each other in order to better meet the aim, the interest and timeliness of this research on sustainability accounting, emphasizes the development of accounting as a social and environmental practice in so far as attention to social dimensions and environmental level of economic activity has increased.

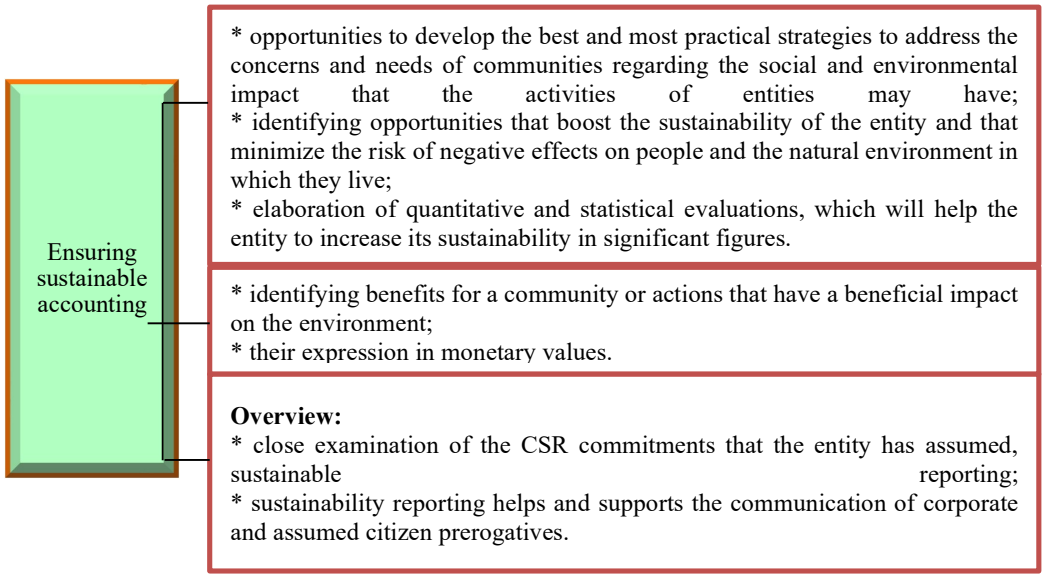
We recognize that the concern for integrating social and environmental factors into traditional financial reporting and performance measurement is increasingly present in both scientific research and business policies of entities, a situation that shows us that providing models and accounting strategies sustainable for entities is a major interest and should be given due attention (Diaconeasa & Stanescu, 2012).

Identifying these opportunities will be challenges of increasing importance for professional accountants, financiers and economists of the future (Stanescu, Paduraru & Comandaru, 2018). But we must recognize that today sustainable accounting is only at the level of initiatives, this is still seen by many professional accountants as an inaccurate or underdeveloped science.

All these aspects can create a positive activity, can help the entity to conclude contracts, in those commercial relations in which sustainability is an eligibility criterion for contracting and can even play an important role in promoting the entity as a good employer on the labour market. The more we witness an acceleration of the CSR (corporate social responsibility) prerogatives assumed by entities and organizations, the more certain professions will undergo deontological changes.

If until now the accounting profession was considered quite dull and without challenges, in the future those accounting professionals will be favoured who through their mastery will reflect in numbers saving solutions for the future of the entities in the community and the environment in which they operate.

Figure no.1. Reasons for sustainable accounting



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Thus, we authors, based on the literature in the field studied, came to the conclusion that it is necessary to express a second point of view on the definition of accounting for sustainability, namely: Accounting for sustainability can be defined as accounting that encompasses financial, managerial, environmental, social, creative accounting, constantly interfering with all economic fields such as: economics and international business administration, marketing, statistics and economic informatics, management, finance, as integral parts of functions the entity of: research-development, production, commercial, human resources and last but not least with the accounting policies / strategies necessary to be implemented in order for it to achieve its goal, policies / strategies well anchored in today's economic reality, which will be also found in the legislation so necessary for the sustainable development of all or entities, regardless of their size, as well as the activities carried out by them.

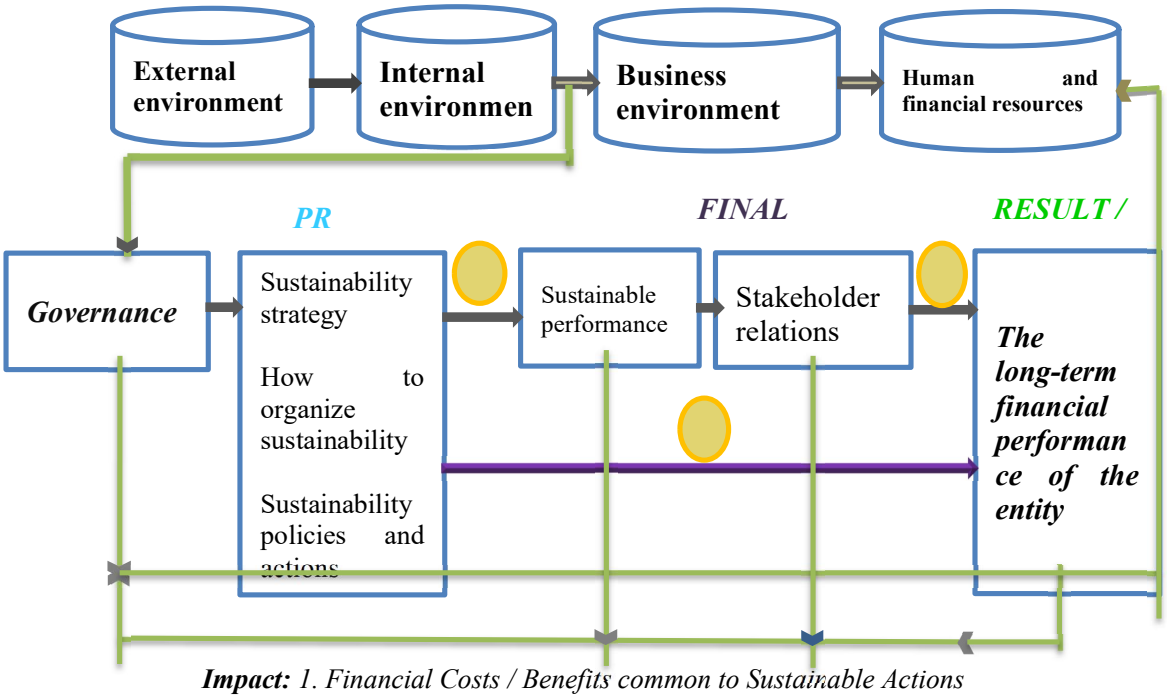
1. STRATEGIES ON ANALYSIS OF COSTS IN ACCOUNTING FOR SUSTAINABILITY

Costs in sustainability accounting, repositioning the performance measurement of entities from the perspective of sustainable development and sustainable intellectual capital are new tools of performance in their strategy and risk reporting in sustainable strategies.
All this can be achieved through a well-reasoned analysis of the current state of knowledge in the field of accounting policies / strategies and actions and actions to minimize the negative effects on the environment, those costs influenced by the principles underlying sustainable development, by extending the traditional cost model to a model capable of generating costs that correspond to the objectives of sustainable development, to incorporate new resources and intellectual capital in decision-making actions and new commitments imposed by the risks related to the sustainability of strategies implemented by entities .

The implementation of some models regarding the sustainability of the entity is meant to support managers interested in including the sustainable development strategy in the current activity and in translating this strategy into distinct actions, which have the role of optimizing financial and sustainable performance (Margarit-Stanescu , Bran-Stan, Ionescu & Rakos, 2012). Thus, initial elements of a certain process or phenomenon have the role of guiding the managers of the entities in the development of some remarkable sustainability strategies, in the determination and creation of the sustainability programs and actions.

Their results can positively or negatively influence the sustainable performance and the reactions of the interested parties, as information and data processing, of the final product, which will be reflected in the financial performance of the entity, of the result. Analysts in the field point out that management and organizational culture are factors that analyze the causes and indicate the means for correction, performance and sustainable success of the entity (Coman, Ionescu & Lixandru, 2019).

Figure no.2. Sustainable entity model



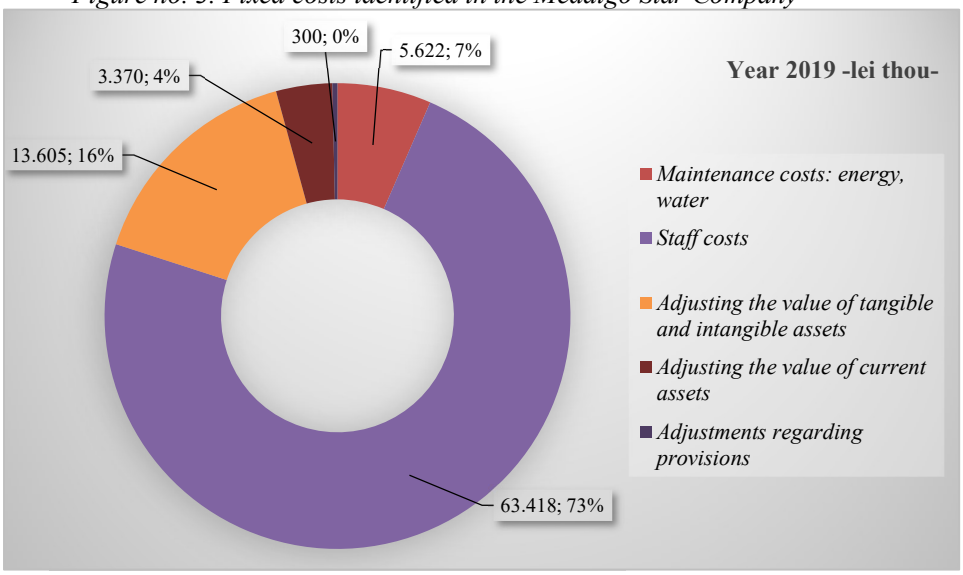
Impact: *1. Financial Costs / Benefits common to Sustainable Actions*
2. Social Impact
3. Financial Impact through Sustainable Performance

(Source: Own projection, adaptation after Epstein, Buhovac and Yuthas, 2010, p. 41)

2. ENTITY'S COST ANALYSIS - SUCCESSFUL SUSTAINABILITY STRATEGY

In order to identify the costs, we analyzed the financial-accounting records of the entity "Medalgo Star", existing at the end of 2019. Thus, we classified the costs, in order to identify them more easily, into fixed costs and variable costs, but we also took into account the hidden costs.
Fixed costs are identified in the cost of resources consumed by the entity, whether they make sales or not. For this we will take as an example: expenses for rent, security, electricity, telecommunications, salaries and social contributions.

Figure no. 3. Fixed costs identified in the Medalgo Star Company



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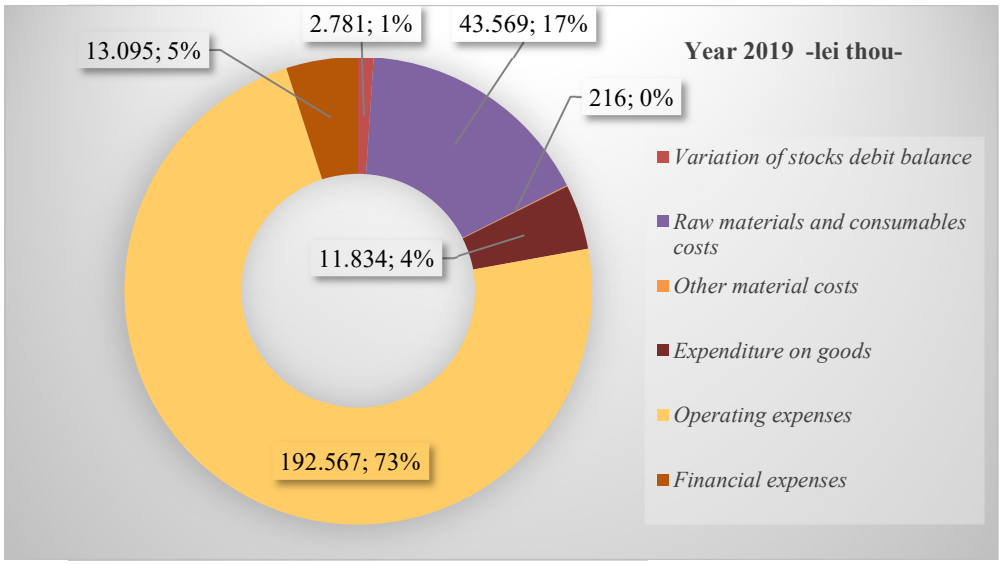
Variable costs are identified in the cost of resources consumed by the entity to make sales, as follows: expenses with goods sold, sales transport, commissions for sales representatives, etc.

Figure no.4. Variable costs identified in the Medalgo Star Company



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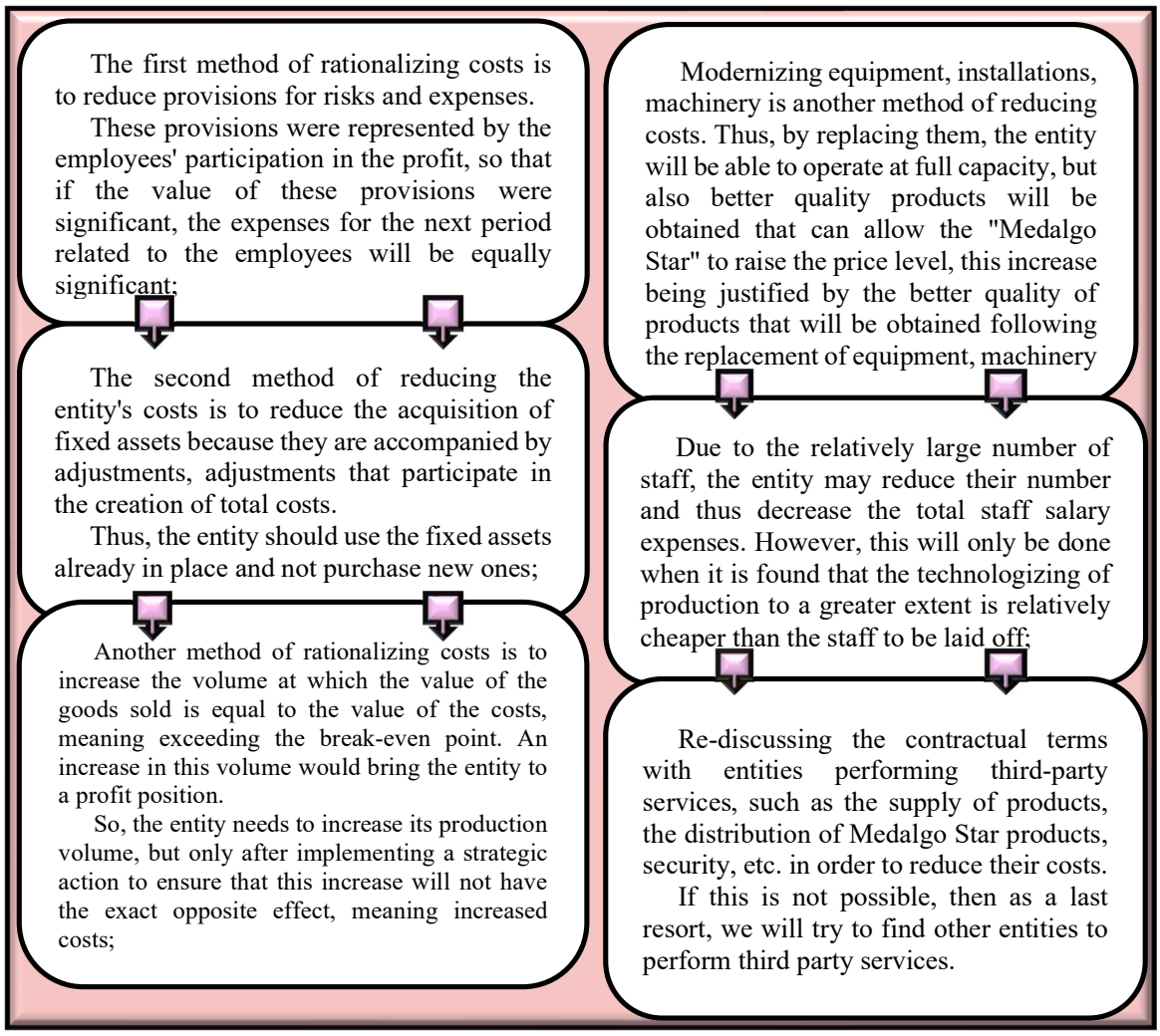
The total expenses registered by the entity in 2019 are 205.662 thousand lei and in the previous year they were 217.846 thousand lei representing a general decrease, which led to an increase in gross profit by 2.269 thousand lei, and implicitly of the net result of the exercise, as well as of the turnover in 2019, compared to 2018. In conclusion we can say that the activity carried out by the entity in question is a sustainable one.

But the entity also has "hidden" costs. These are identified in distribution commission contracts that brought expenses in excess of 28 million lei. For loans committed to banks in the amount of 20.250

thousand euro, as a result of which the entity had to submit as collateral buildings, land, fixed assets in total amount of 22.143 thousand euro, but also the assignment of debt rights to banks, as well as the establishment of a real estate guarantee on the debit balances of the accounts in lei and in foreign currency.

Consequently, it can be seen that the Medalgo Star entity analyzed is trying to act on those categories of costs that have unjustified weights, trying to minimize costs through various effective strategies and methods.

Figure no.5. Methods used by the "Medalgo Star" entity on cost sustainability



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The behaviour of the rational producer towards cost results directly from the objective purpose of his activity (profit maximization) which is based on rationality in mobilizing and allocating resources, on the spirit of competition and knowledge based on frequent economic calculations and analyses. In order to reduce its costs, the entity is constantly looking to increase its productivity because higher labour productivity would lead to a reduction in costs.

The entity "Medalgo Star", with drug production activity, has a number of employees of over 1.500 employees. Considered to be a large entity, it exceeds the average number of employees per entity at

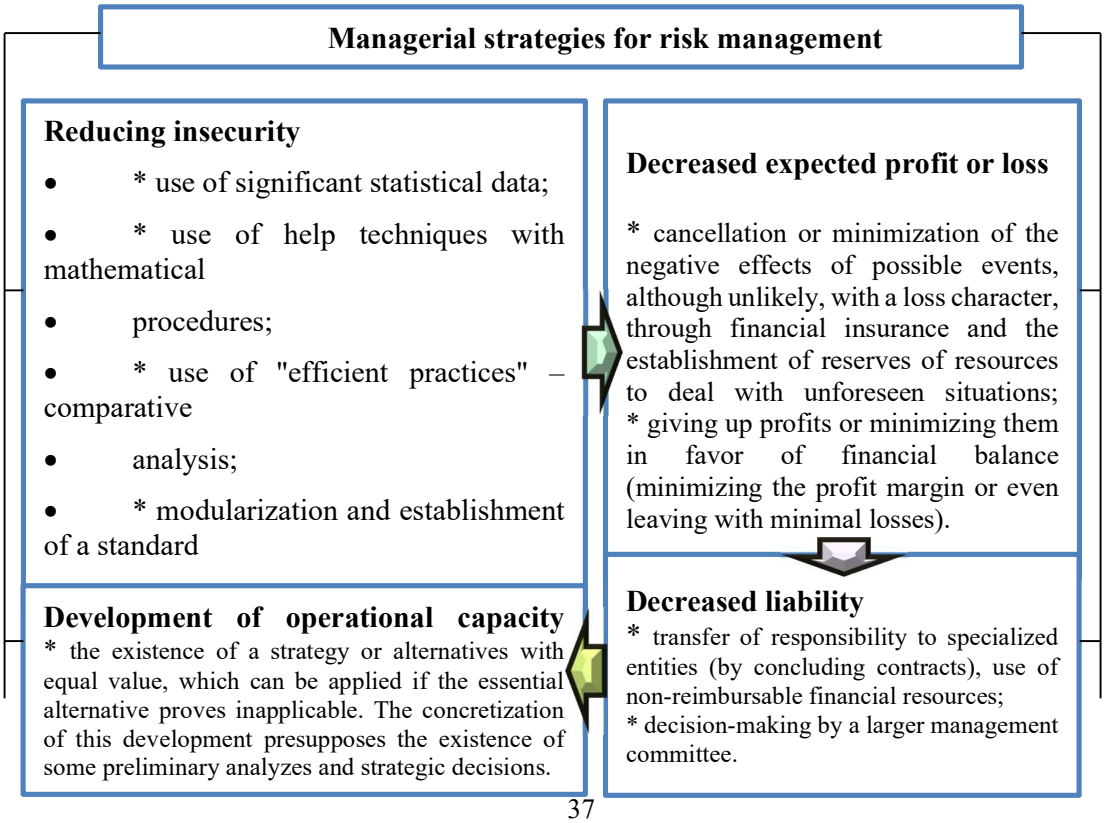
EU level, which is 545 employees, market level. In addition to all this, there is also a special attention paid to cost rationalization methods, the entity manages to reduce them simultaneously with the increase in revenues that led to an increase in turnover in 2019 by 2%, compared to 2018. In 2018 the turnover registered by the entity was of 215.806 thousand lei and in 2019 of 219.754 thousand lei. This increase in turnover is considered relatively large if we consider the situation of the external environment, namely the financial crises.

The business strategies as well as the financial results recorded represent a solid guarantee that the entity "Medalgo Star" has secured a solid position in the market. At the same time, the results obtained ensured a higher degree of financial stability for the entity in order to implement modernization and sustainable development programs of the main sectors of activity (basic production, production of utilities, marketing, research, quality control). The entity continuously conducts analyzes and estimates based on historical experience and other factors, including forecasting future events that are considered reasonable under existing circumstances.

3. STRATEGIES AND INSTRUMENTS FOR MEASURING RISKS AND THE PERFORMANCE OF ENTITIES FROM THE PERSPECTIVE OF SUSTAINABLE DEVELOPMENT

For the strategies of sustainable entities we extend the research to different perspectives of performance measurement in conjunction with accounting tools: costs in accounting for sustainability, repositioning of performance measurement of entities from the perspective of sustainable development and sustainable intellectual capital. Risk management is the action of identifying, measuring, analysing and controlling risks followed by the development of strategies for their proper management, resulting from the manifestation of operational factors and decision-making that lead to balancing the cost of risk with the entity's benefits. Risk management aims to identify uncertainties with the potential to harm the objectives set by the entity's management team in order to achieve performance, analyse them so that they are understood and develop by implementing concrete measures to stop them or to minimize their impact on the achievement of objectives (Caraiani et al., 2010).

Figure no.6. Managerial strategies for risk management



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If the potential factors threatening the entity cannot be properly managed, risk management may be transferred to entities specializing in risk management. Risk management requires two dimensions: variability of factors (consequences of the occurrence of the negative event) and cost of administration. The cost of risk management is given by the sum of all expenses related to the presumptive risk (Ghita, 2009).

The essence of the risk is defined by the formula:

RISK = probable variants x uncertainty x expected profit / loss x liability x development

The risk exposure measurement system is two-dimensional or, in other words, of matrix type, where: the variations of the impact are inscribed on the lines; the probability variations are written on the columns. Risk exposure occurs at the intersection of rows with columns. If the entity has adopted the three-step probability and impact analysis system, it results that the risk exposure analysis system has 9 values (3x3), and can be represented as such:

Figure no.7. Example of a risk exposure measurement system

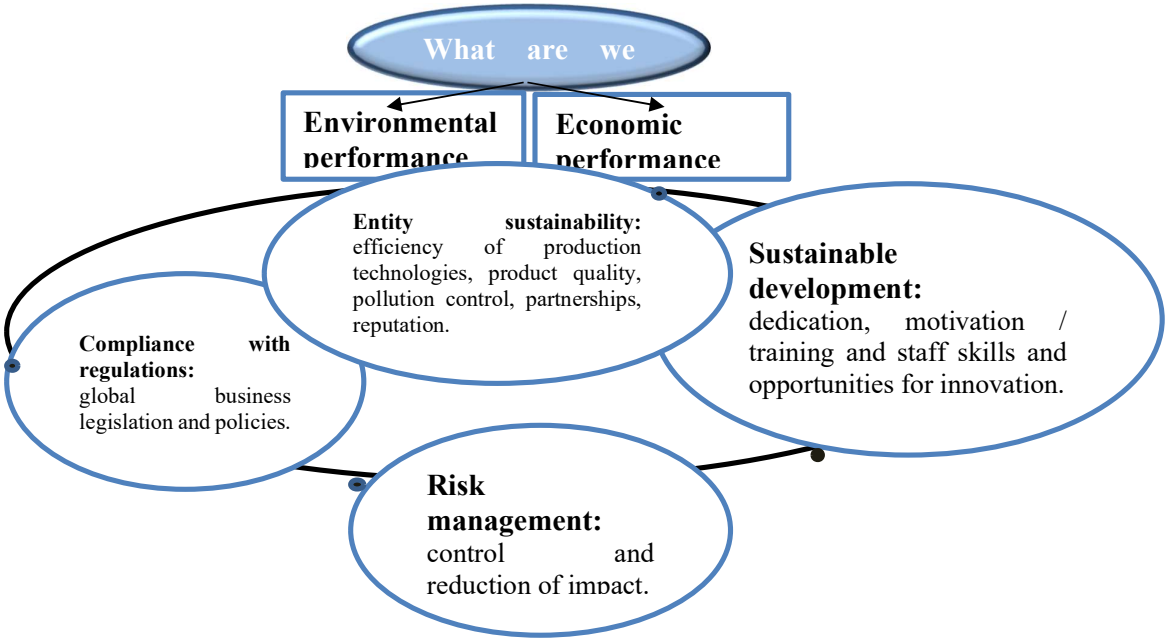
Probability			
High (3)	L-H (3)	M-H (6)	H-H (9)
Medium (2)	L-M (2)	M-M (4)	H-M (6)
Low (1)	L-L (1)	M-L (2)	H-L (3)
Impact	**Low (1)**	**Medium (2)**	**High (3)**

(Source: adapted from CAFR Magazine "Audit Practices" on risk analysis, Year V, no. 1 (17) / 2016)

The figure above highlights that risk exposure develops a risk structure. Under these conditions, the risk exposure is calculated according to the formula: E = P x I, where: E is the risk exposure; P is the probability of occurrence of the risk; I is the impact on the objectives, if the risk becomes real.

The merging of risks identified in an entity based on risk exposure leads to the development of the entity's risk profile. Risk tolerance shows the "magnitude" of the risk that an entity is prepared to tolerate or is willing to take. Growing environmental concerns, along with public pressure and stricter regulations, tend to change the way people do business around the world. According to the global guide to business and sustainable development, several steps are needed to develop sustainability: compliance with legislation, implementation of risk management policies, incorporating sustainable development into the entity's strategy for the future.

Figure no.8. Steps to measure and analyze the sustainability of the entity



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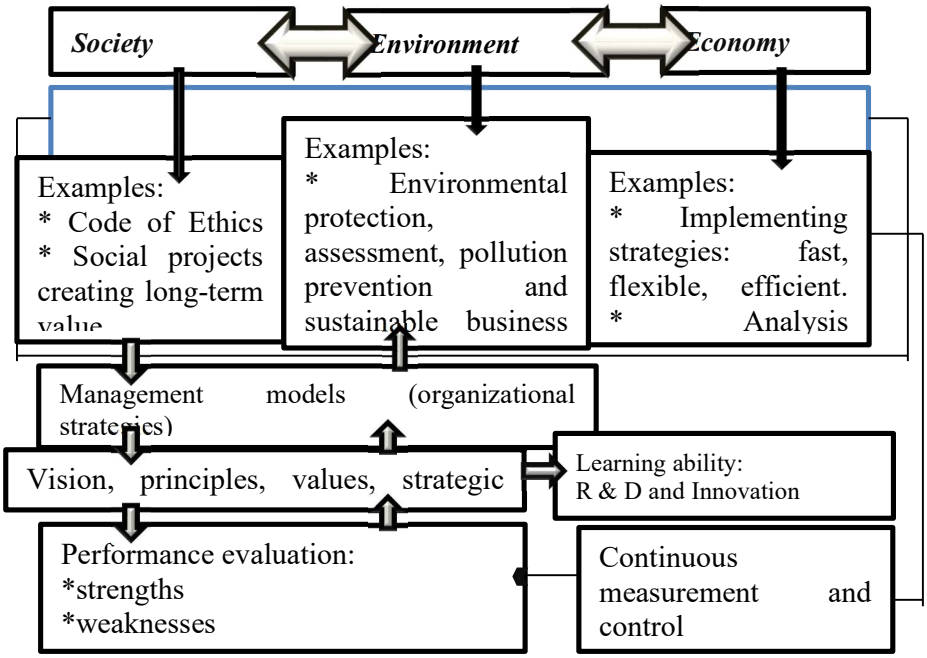
The aim is to develop win-win situations that can increase the quality of the environment, the social welfare and the competitive advantage of entities. For entities to participate in sustainable development, it is desirable that the entity's performance bring improvements in all three areas of sustainable development: economic, environmental and social. The entity's sustainability and business strategy provide the conditions under which the entity's performance is discussed. The general idea that just reflects the sustainability management developed in the figure below tries to approach the issue of sustainability in an integrative way.

Sustainable development is a natural extension of many environmental policies at the organizational level. In pursuing economic, environmental and community benefits, the management of sustainability-oriented entities takes into account the long-term interests and needs of stakeholders. Strategies considered as problems that in the previous stages could be considered as expensive or risky, things that in the current situation are minimized.

The results include new business strategies with low external negative impact, optimizing financial performance, as well as an evolving reputation among entities and stakeholders. For entities, sustainable development means adopting strategies and activities that meet the needs of the entity and those of stakeholders, while protecting and strengthening the human and natural resources that will be needed in the future.

Figure no.9. Strategies for a sustainable business



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In order for it to be well supported, we will also call for the presentation of problems and constraints regarding the evolution of sustainability, as well as of some methods for monitoring and analyzing the development of sustainability through the following equation:

$$\mathbf{g = rp + DT/CP\ (r-i)\ p}$$

where:
g = evolution of equity; r = net rate of return (after tax) of invested capital - ROE; i = interest rate after tax; DT-total debts; CP-equity; p - the proportion of undistributed profits.

This correlation is the equation of sustainable evolution.
Given the policies and stable performance of a business, the rate of evolution of equity will practically illustrate the rate of balance sheet development, necessary to support the evolution:

* In order for the rate of evolution of equity to be sustainable, it is necessary to find the balance between financial profitability (the contribution between the invested capital and the contribution of the financial leverage with which the entity operates), the reinvested profit and the distributed dividend.
* The equation presented above expresses the rate of evolution of equity that can be confirmed by an activity in the conditions of maintaining stable policies and conditions.
* The evolution of equity will be consolidated at a rate determined by the above equation and will ensure: the continuous ability to invest funds at the indicated return; maintaining a stable ratio between total debt and equity; constant interest rate and dividend distribution.

CONCLUSIONS

The current global context puts the business world in front of situations of great complexity through the multitude of interdependencies that characterize them and the persistent economic crisis only brings to the fore an aspect that, although it has never lost its relevance, has never been long aware of so much

intensity, namely the issue of sustainable development. Sustainable organizational change is of ascending importance that leads to a rethinking of management and tools for measuring and monitoring performance within entities. Solving the challenges of science in the field of accounting for sustainability requires a clearer establishment of organizational responsibility, through rigorous legislation and assumed by state institutions, as well as entities for future sustainable development. At the same time, we need new styles of institutional organization to strengthen and support interdisciplinary, long-term research, involving scientists, practitioners and citizens in setting priorities, creating new scientific knowledge, assessing possible consequences and testing them in practice. Thus, the sustainability of the entity is highlighted by the continuous development of the entity and its profitability; they also require a profit that pursues social objectives, especially those related to sustainable development - environmental protection, social justice, equity and economic development.
A sustainability strategy assumes that the management of these risks and the achievement of a balance between performance objectives (economic, social and environmental) in the short and long term. At the same time, there are many opportunities for innovation towards more efficient, better performing products, but with a low impact on the environment and on the regeneration of all resources in order to ensure a sustainable future for next generations. The way in which organizations choose to implement the principles of sustainability at the level of business strategy will be the basis of their success in achieving a long-term competitive advantage.

The results of the research confirmed both the importance of leadership and visionary management, as well as the role of organizational culture and change management in integrating sustainability at the entity level. The importance given to the existence of a visionary management team in the adoption and implementation of innovative strategies for cost analysis, management of sustainability risks at the level of the entity while ensuring a framework for the application of sustainability accounting in line with current requirements. Thus, it is considered that the visionary, responsible leadership influences the efficiency and speed of the organizational change process, so necessary in achieving the organizational sustainability objectives.
The well-defined strategy for the analyzed entity is the basis of the key performance factors that have the greatest influence on the achievement of the basic strategic objectives (measured by result indicators) identified for all perspectives.
So, even if the data from the scientific accounting literature, the requirements of accounting regulators and the practice of the business environment are collected, examined and interpreted to reveal the logic and importance of the new vision of sustainability reporting: recognition, evaluation and presentation of social information and the environment along with the financial ones, we make it clear, through this examination, that traditional accounting systems need to be reconfigured in a broader context, under the insightful influence of those who are against sustainability.

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