

## **ENVIRONMENTAL ACCOUNTING: A DECISION-MAKING TOOL FOR COMPANIES**

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### **EXTENDED ABSTRACT**

Conventional corporate accounting, with its emphasis on the economic performance of companies, does not normally take company related environmental impacts into account. Consequently, environmental costs and damages are not identified and are therefore not considered when making business decisions. The main purpose of environmental accounting is to correct the information gap that arises from not identifying environmental costs and damages and to use this additional information in order to guide business decisions.

Environmental accounting has many meanings and uses but essentially it is a subset of accounting that deals with activities, methods and systems to record, analyse and report on the environmentally induced financial and ecological impacts of a defined economic system (company, production site, region, country etc.). The objective of the present paper is to illustrate the uses and benefits of environmental accounting for companies. For this purpose, we present the framework for developing and implementing an environmental management accounting system. In contrast to financial accounting, which enables companies to prepare financial reports for external use, management accounting is used internally and involves the collection and analysis of data for the objective of improving business results by informing management decisions. The paper also includes a presentation of fundamental methods of environmental cost accounting, which constitutes the core of environmental management accounting.

The adoption of environmental management accounting practices by companies is expected to lead to significant progress in achieving eco-efficiency objectives. This is due to the fact that environmental cost information can be used in a number of management decisions, including product design, production processes, waste management and capital investments. It is illustrated, however, that a prerequisite for achieving eco-efficiency objectives is the existence of a corporate environmental management culture in the company, which will enable the integration of the generated information into the company's environmental management system and practices. Environmental management accounting is still a relatively new approach in promoting improvements in corporate environmental performance but, by supporting corporate decision-makers through the generation of information that is directly related to the company's economic performance, it will prove to be a valuable tool.

**Key words:** environmental management accounting, environmental costs, eco-efficiency.