

## **EVOLUTION OF SUSTAINABILITY ACCOUNTING: IMPLEMENTATION OF FINANCIAL ACCOUNTING STANDARDS AND ITS IMPACT ON BUSINESS SUSTAINABILITY**

**Franco Benony Limba \*<sup>1</sup>**

Universitas Pattimura, Indonesia  
Email: francob.limba@gmail.com

**Shella Gilby Sapulette**

Universitas Pattimura, Indonesia  
Email: ellasapulette88@gmail.com

### **Abstract**

The use of accounting allows for good financial management, where good financial management in a business will of course have more potential for the sustainability of a business. Accounting is a powerful tool that plays a central role in achieving business sustainability goals. Financial accounting standards act as a compass that directs the flow of financial information so that it remains on the correct and trustworthy path. Implementation of sustainable financial accounting standards has a positive impact on business sustainability, both in terms of financial transparency and support for sustainable development goals. This research in-depth investigates the evolution of sustainability accounting: the implementation of financial accounting standards and its impact on business sustainability using literature study methods. This research discusses the evolution of sustainability accounting, the definition and types of financial accounting standards, accounting as the main tool in realizing sustainable business, the implementation of financial accounting standards and its impact on business sustainability.

**Keywords:** sustainability accounting, financial accounting standards, business sustainability

### **INTRODUCTION**

Accounting is very important in a business, because accounting helps organizations manage their finances, make the right decisions, and maintain transparency and accountability in a business. According to Vallišová, L., Černá, M., & Hinke, J. (2018) the use of accounting enables good financial management, where good financial management in a business will certainly have more potential for the sustainability of a business. The use of an accounting system, namely recording accurate transactions within a company,

---

<sup>1</sup> Correspondence author

will enable the company to know how to make good decisions, then the accounting system will enable the company to have financial reports, where good financial reports will have more potential to attract investors because investors will know whether the company is viable. to be given investment or not based on financial reports.

From this we can see the reason why accounting is important in a business, accounting is not just about numbers in a ledger and just financial reports. Accounting is a powerful tool that plays a central role in achieving business sustainability goals. In the midst of the rapid development of the world of business and finance in Indonesia, an in-depth understanding of financial accounting standards is more important than ever. This standard is not just a set of technical rules for accountants, but a foundation that guarantees transparency and reliability of financial information for all business people, investors and other stakeholders (Hyršlová et al., 2015).

Accounting entails providing financial reports to stakeholders detailing transactions and the state of the business. Accounting requires the identification, documentation, and dissemination of financial events within an organization to assist stakeholders, both internal and external, in interpreting financial reports. Collectively, these three constitute the three important functions of accounting. A comprehensive understanding of accounting requires an accurate and efficient understanding of accounting theory. Accounting knowledge is essential to stimulate economic growth and can improve financial recovery and management of business owners (Zyznarska-Dworczak., 2019). According to the Resource-based View (RBV) paradigm, a company can gain sustainable competitive advantage and superior performance by acquiring large resources. The significant accounting expertise possessed by business actors is an intangible asset that is very important for the long-term survival of the organization.

Accounting covers the long-term value aspect of business analysis. In pursuing sustainability, companies need to consider the long-term impact of their actions on the environment and society. Accounting contributes to this assessment by allowing companies to track investments that have long-term impact and measure the returns on those investments.

In a business world that is increasingly complex and connected to sustainability issues, the role of accounting is very important. Accounting allows companies to achieve their sustainability goals and contribute to a better society and environment. Then, it is important to note that the use of accounting in business can help increase control, transparency, financial safety

of the business, without accounting there may be higher risks related to financial management (Anggrayni et al., 2022).

In this article, we will dive into the world of financial accounting standards, their importance and impact on business sustainability in Indonesia. From basic understanding to practical applications, we will explore how these standards form a pillar of trust and efficiency in financial reporting, which in turn supports sustainable economic growth.

Accelerating the process of creating financial reports that comply with financial accounting standards needs to be done by utilizing a reliable system. It is important for the business world to implement financial accounting standards to increase the accuracy and importance of their financial reports. Financial accounting standards provide accounting services to business people. The use of financial accounting standards is increasingly important because of the increasing need for financial data that is easily understood by various stakeholders, including financial institutions, business actors and investors (Bebbington, J., & Larrinaga, 2014).

A fundamental understanding of accounting is necessary to produce financial reports and utilize financial accounting standards. Someone who has a comprehensive understanding of accounting has the ability to produce financial reports that adhere to financial reporting principles and standards and understand the accounting process (Dhar et al., 2022). To interpret and prepare financial reports in accordance with financial accounting standard regulations, accounting knowledge is very important. Accounting experts have the knowledge and skills necessary to incorporate financial accounting standards into financial reporting effectively (Tschopp, D., & Huefner, 2015). The financial performance of business actors is significantly impacted. Analysis of financial records can yield important insights into the operations of the business. Improving the performance and effectiveness of business operations is an important goal for business people. Businesspeople's financial reports must demonstrate compliance with financial accounting standards, a framework that must be implemented and instructed to assist businesspeople in fulfilling their financial reporting responsibilities (Burrirt, R., & Christ, 2016).

## **RESEARCH METHOD**

The literature study or literature review strategy was used in this investigation. A literature review is a thorough summary of the research that has been done on a particular subject to inform readers about what is known and what is unknown, to provide justification for previous study, or to provide

ideas for further research (Denney & Tewksbury, 2014). This research deeply investigates the evolution of sustainability accounting: the implementation of financial accounting standards and their impact on business sustainability. Literature analysis involves an in-depth review of the literature and with a strong conceptual foundation, this research makes an important contribution to enriching the discussion regarding the implementation of financial accounting standards and its impact on business sustainability.

## **RESULT AND DISCUSSION**

### **The Evolution of Sustainability Accounting**

In everyday life, people cannot be separated from accounting practices. Literally accounting means counting. The recording system in accounting is very useful for business people so that all business activities can be recorded in detail. The appearance of this book by Pacioli was a response to the origins of accounting. The publication of this book not only made accounting records implemented in Italy, but was widely applied in many countries. This makes accounting begin to be seen as a separate scientific discipline. Accounting started as a tool for recording and then gradually became a reporting tool for management to external parties related to organizational management. This fact initiated the presence of a sub-category of accounting called financial accounting (Gacser, N. G., & Szoka, 2021).

The presence of other accounting sub-categories was also marked after the European industrial revolution in the 18-19 century, which at that time resulted in integration between organizations due to free trade transactions through market mechanisms. This results in disrupted organizational management performance in planning, management, performance assessment and decision making. Accounting is motivated to assist organizational management in controlling its management processes, so management accounting was developed. The influence of the industrial revolution also created a need for information on production costs, so cost accounting was also developed. Likewise, gradually various relevant information needs, especially in business matters, are needed as a reference in solving them (Mura et al., 2018). Accounting science as a major influence in business has not failed to develop new accounting sciences which are currently divided into several sub-categories such as government accounting, banking accounting, tax accounting, international accounting, sharia accounting and so on. Because different business problems require different accounting information needs. The existence of different accounting sub categories makes business activities

more focused. Interaction between organizational management and interested parties can be established well, because there is a response where accounting and business are increasingly and will continue to develop rapidly so that they are considered to have an important position in helping the country to be more sustainable. Therefore, accounting has developed a new sub-category, namely social and environmental accounting.

In addition to accounting for financial transactions, social environmental accounting also takes into account a variety of social and environmental issues (Tiwari, K., & Khan, 2020). Social environmental accounting is a breakthrough in accounting that is necessary in the global era. It takes into account not only financial information about the business, but also non-financial information about its social and environmental performance. In order to evaluate the organization's risks and opportunities in the past, present, and future, investors also want non-financial information. The availability of non-financial data facilitates targeted investment decision-making. In addition, the existence of environmental social accounting serves as a beacon for transforming the perspectives of capitalist economists and businesspeople who continue to follow their methods. These economists' business orientation is centered on achieving a single, economic bottom line that prioritizes creating economic benefits, rather than on improving the economy as a whole.

As social environmental accounting began to be implemented by business people, in its development social environmental accounting was called sustainability accounting. This is inseparable from the concept of sustainable development in which state development is not only an obligation that is entirely borne by the government, but community participation is also needed to achieve social welfare and natural conservation. Additionally, sustainability is encouraged to lessen the burden that stakeholders particularly society put on firms whose operations primarily result in negative externalities for them. In addition, the idea of sustainable accounting aligns with the triple bottom line paradigm of enterprise theory (Maughan., 2023). As social environmental accounting began to be implemented by business people, in its development social environmental accounting was called sustainability accounting. This is inseparable from the concept of sustainable development in which state development is not only an obligation that is entirely borne by the government, but community participation is also needed to achieve social welfare and natural conservation. Sustainability is also supported to reduce pressure from stakeholders, especially society, over the existence of organizations whose operational activities mostly bring negative externalities to them. In addition,

the triple bottom line paradigm-based enterprise theory and the idea of sustainable accounting align.

### **Definition and Types of Financial Accounting Standards**

Financial accounting standards act as a compass that directs the flow of financial information so that it remains on the correct and trustworthy path. Financial accounting standards are a set of principles, procedures and guidelines adopted by professionals in the accounting field to record, classify and report financial transactions. (Weygandt et al., 2018). These standards are not just rules, they are also a reflection of best practices that have been tested by time and experience. In Indonesia, financial accounting standards are regulated by the Financial Accounting Standards Board of the Indonesian Institute of Accountants, which continuously adapts and updates these standards to meet the dynamic needs of the business world and global regulations.

According to Wang, C. (2014), through the use of financial accounting standards, we can ensure that the financial reports produced are honest, accurate and adequate, enabling all parties, from business owners to investors, to make more precise and wise decisions. Thus, financial accounting standards not only maintain the integrity of financial information, but also support healthy and transparent economic growth.

Indonesia, in its efforts to meet the diverse accounting needs of various business sectors, has developed four types of financial accounting standards. Each of these standards has specific characteristics designed to suit different types of entities and their specific needs (Yanto et al., 2017). The following are the four financial accounting standards, complete with the main points and benefits:

1. Adaptation of IFRS in PSAK-IFRS

Main Characteristics: PSAK-IFRS is the result of an adaptation of International Financial Reporting Standards for business entities in Indonesia that have public accountability. This standard is often applied by companies listed on the stock exchange or in the IPO process. Essential Benefits: The existence of PSAK-IFRS supports companies in presenting financial reports that comply with global standards, increases international investor confidence and facilitates integration with global capital markets.

2. SAK-ETAP: Solutions for MSMEs

Main Characteristics: SAK-ETAP is specifically designed for entities that are not subject to public accountability, such as MSMEs. This standard simplifies

several aspects of disclosures found in PSAK-IFRS. Essential Benefits: With SAK-ETAP, MSMEs can prepare their financial reports more practically and efficiently, opening up opportunities for easier access to funding and audits.

3. SAK Syariah: Accounting Based on Sharia Principles

Main Characteristics: SAK Syariah was created for entities that carry out transactions based on sharia principles. This standard adapts general accounting principles to sharia law. Essential Benefits: SAK Syariah enables transparency and clarity in financial reports for sharia entities, supporting the trust of investors and stakeholders who focus on sharia finance.

4. SAP: Accounting Standards for the Public Sector

Key Characteristics: SAP, or Government Accounting Standards, is applied in central and local government financial reports. SAP provides a framework for government entities to report their finances. Essential Benefits: SAP implementation increases clarity and transparency in state financial management, supports the principles of accountability and good governance.

Through the discussion above, we can understand that "Financial Accounting Standards" in Indonesia not only act as a basis for financial recording and reporting, but also as essential guidelines in ensuring the integrity, transparency and reliability of financial information. The adaptation of four types of SAK, namely PSAK-IFRS, SAK-ETAP, SAK Syariah, and SAP, shows Indonesia's commitment to implementing accounting standards that suit the needs of various business sectors, both at the local and global levels. This not only strengthens the national financial system, but also supports sustainable economic growth. With these standards in place, all parties, from MSMEs to government entities, can make more informed and wise decisions, which ultimately contribute to economic and business progress in Indonesia (Adhikara., 2018).

### **Accounting as the Main Tool in Creating a Sustainable Business**

The use of accounting allows for good financial management, where good financial management in a business will of course have more potential for the sustainability of a business. The use of an accounting system, namely recording accurate transactions within a company, will enable the company to know how to make good decisions, then the accounting system will enable the company to have financial reports, where good financial reports will have more potential to attract investors because investors will know whether the

company is viable. to be given investment or not based on financial reports (Caldera et al., 2019).

From this we can see the reason why accounting is important in a business, accounting is not just about numbers in a ledger and just financial reports. Accounting is a powerful tool that plays a central role in achieving business sustainability goals (Mistry et al., 2014). Let's get to know why accounting plays an important role in business sustainability

1. Information Transparency

Accounting provides the basis for transparency of financial and non-financial information. Transparent financial reports enable stakeholders including investors, customers and governments to understand how companies manage sustainability issues. So this creates trust and helps avoid negative consequences such as legal sanctions or reputational degradation.

2. Risk Management

Accounting plays an important role in identifying, measuring and processing risks associated with sustainability issues, such as changes in environmental regulations or fluctuations in resource prices. With a good understanding of these risks, companies can take appropriate precautions and reduce their vulnerabilities.

3. Sustainable Decision Making

A deep understanding of sustainability performance through accounting helps in making better and sustainable decisions. Companies can identify opportunities to reduce operational costs, increase energy efficiency, or develop environmentally friendly products.

4. Long Term Value Assessment

Accounting covers the long-term value aspect of business analysis. In pursuing sustainability, companies need to consider the long-term impact of their actions on the environment and society. Accounting contributes to this assessment by allowing companies to track investments that have long-term impact and measure the returns on those investments.

In a business world that is increasingly complex and connected to sustainability issues, the role of accounting is very important. Accounting allows companies to achieve their sustainability goals and contribute to a better society and environment. Then, it is important to note that the use of accounting in business can help increase control, transparency, financial safety

of the business, without accounting there may be higher risks associated with financial management (Lüdeke-Freund, F., & Dembek., 2017).

### **Implementation of Financial Accounting Standards and Its Impact on Business Sustainability**

Implementation of Financial Accounting Standards in the context of business sustainability refers to the presentation of financial information that covers environmental, social and corporate governance (ESG) aspects. This illustrates the company's commitment to socially and environmentally responsible business practices, as well as transparency in corporate governance (Vigneau, L., Humphreys, M., & Moon, 2015).

The following are several steps in implementing financial accounting standards in business sustainability according to Brusca, I., & Martínez, J. C. (2016):

1. **Identify Sustainability Indicators:** Identify sustainability indicators that are relevant to the company's business. These indicators can include carbon emissions, energy use, local community involvement, treatment of employees, and so on.
2. **Integration of Sustainability Data in Financial Reports:** Integrating sustainability data into financial reports. This can be done by including sustainability information in certain sections of the financial statements, such as notes, or by presenting a separate sustainability report that is integrated with the financial statements.
3. **Application of the Materiality Principle:** Ensure that the sustainability information presented in financial reports is relevant and material for stakeholders. The materiality principle emphasizes the importance of presenting relevant and significant information.
4. **Sustainability Audit:** Conduct independent audits of sustainability information to ensure its reliability. This audit helps increase the level of trust of stakeholders in the sustainability information presented by the company.
5. **Communication and Transparency:** Communicate sustainability information clearly and transparently to stakeholders. This can be done through sustainability reports, annual reports, shareholder meetings and other communication platforms.
6. **Employee Education and Training:** Provide education and training to employees so they understand the importance of business sustainability

and how to implement it in accordance with applicable Financial Accounting Standards.

7. Continuous Evaluation and Improvement: Evaluate the implementation of Financial Accounting Standards in business continuity on a regular basis, as well as make improvements and adjustments in accordance with the company's internal and external developments.

By implementing financial accounting standards in business sustainability, companies can provide more comprehensive information to stakeholders regarding their financial performance and sustainability, which in turn can increase company trust and reputation (Sisaye, 2021). Implementation of sustainable financial accounting standards has a significant impact on business sustainability. Some of the impacts include:

1. Clarity and transparency in financial management  
Implementation of financial accounting standards increases clarity and transparency in financial management, which supports the principles of accountability and good governance.
2. Development of sustainability implementation guidelines for organizations, such as Bank Kalsel, which adheres to a sustainable accounting system and focuses on developing sustainability implementation guidelines for regionally owned financial services institutions
3. The role of sustainable finance in the banking industry  
The role of sustainable finance in the banking industry has an important role in supporting Sustainable Development Goals (SDGs)
4. Long-term benefits of high-quality financial reporting  
Although implementing financial accounting standards can present challenges, the long-term benefits of high-quality financial reporting are far greater
5. Support for sustainable economic growth  
Financial accounting standards form a pillar of trust and efficiency in financial reporting, which in turn supports sustainable economic growth

Thus, the implementation of sustainable financial accounting standards has a positive impact on business sustainability, both in terms of financial transparency and support for sustainable development goals.

## **CONCLUSION**

The use of accounting allows for good financial management, where good financial management in a business will of course have more potential for the sustainability of a business. Accounting is a powerful tool that plays a central role in achieving business sustainability goals.

Financial accounting standards act as a compass that directs the flow of financial information so that it remains on the correct and trustworthy path. Through the use of financial accounting standards, we can ensure that the financial reports produced are honest, accurate and adequate, enabling all parties, from business owners to investors, to make more informed and wise decisions. Implementation of Financial Accounting Standards in the context of business sustainability refers to the presentation of financial information that covers environmental, social and corporate governance aspects.

By implementing financial accounting standards in business sustainability, companies can provide more comprehensive information to stakeholders regarding their financial performance and sustainability, which in turn can increase company trust and reputation. Implementation of sustainable financial accounting standards has a positive impact on business sustainability, both in terms of financial transparency and support for sustainable development goals.

## REFERENCES

- Adhikara, N. D. (2018). Financial accounting standards for micro, small & medium entities (suk emkm) implementation and factors that affect it. *JEMA: Jurnal Ilmiah Bidang Akuntansi Dan Manajemen*, 15(2), 134-143.
- Anggrayni, L., Fatriansyah, A. I. A., & Tubagus, S. (2022). The Environmental Accounting Evolution: A Literature Review and Future Directions. *Kunuz: Journal of Islamic Banking and Finance*, 2(2), 120-133.
- Bebbington, J., & Larrinaga, C. (2014). Accounting and sustainable development: An exploration. *Accounting, organizations and society*, 39(6), 395-413.
- Brown, P., Preiato, J., & Tarca, A. (2014). Measuring country differences in enforcement of accounting standards: An audit and enforcement proxy. *Journal of Business Finance & Accounting*, 41(1-2), 1-52.
- Brusca, I., & Martínez, J. C. (2016). Adopting International Public Sector Accounting Standards: a challenge for modernizing and harmonizing public sector accounting. *International Review of Administrative Sciences*, 82(4), 724-744.
- Burritt, R., & Christ, K. (2016). Industry 4.0 and environmental accounting: a new revolution?. *Asian Journal of Sustainability and Social Responsibility*, 1, 23-38.

- Caldera, H. T. S., Desha, C., & Dawes, L. (2019). Evaluating the enablers and barriers for successful implementation of sustainable business practice in 'lean'SMEs. *Journal of cleaner production*, 218, 575-590.
- Dhar, B. K., Sarkar, S. M., & Ayithey, F. K. (2022). Impact of social responsibility disclosure between implementation of green accounting and sustainable development: A study on heavily polluting companies in Bangladesh. *Corporate Social Responsibility and Environmental Management*, 29(1), 71-78.
- Gacser, N. G., & Szoka, K. (2021). Sustainability accounting-historical development and future perspectives of the discipline. *PressAcademia Procedia*, 14(1), 1-4.
- Hyršlová, J., Becková, H., & Kubáňková, M. (2015). Sustainability accounting: brief history and perspectives. In *The 9th International Days of Statistics and Economics: Conference Proceedings*. Melandrium.
- Lüdeke-Freund, F., & Dembek, K. (2017). Sustainable business model research and practice: Emerging field or passing fancy?. *Journal of Cleaner Production*, 168, 1668-1678.
- Maughan, R. (2023). Adopting and adapting sustainability accounting: fit and faith in a family business. *Accounting, Auditing & Accountability Journal*, 36(9), 1-31.
- Mistry, V., Sharma, U., & Low, M. (2014). Management accountants' perception of their role in accounting for sustainable development: An exploratory study. *Pacific Accounting Review*, 26(1/2), 112-133.
- Mura, M., Longo, M., Micheli, P., & Bolzani, D. (2018). The evolution of sustainability measurement research. *International Journal of Management Reviews*, 20(3), 661-695.
- Sisaye, S. (2021). The influence of non-governmental organizations (NGOs) on the development of voluntary sustainability accounting reporting rules. *Journal of Business and Socio-economic Development*, 1(1), 5-23.
- Tewksbury, R., Connor, D. P., & Denney, A. S. (2014). Disciplinary infractions behind bars: An exploration of importation and deprivation theories. *Criminal Justice Review*, 39(2), 201-218.
- Tiwari, K., & Khan, M. S. (2020). Sustainability accounting and reporting in the industry 4.0. *Journal of cleaner production*, 258, 120783.
- Tschopp, D., & Huefner, R. J. (2015). Comparing the evolution of CSR reporting to that of financial reporting. *Journal of business ethics*, 127, 565-577.

- Valliřov, L., ˇern, M., & Hinke, J. (2018). Implementation of sustainability aspects in the financial reporting system: an environmental accounting standard. *Economic annals-XXI*, (173), 55-59.
- Vigneau, L., Humphreys, M., & Moon, J. (2015). How do firms comply with international sustainability standards? Processes and consequences of adopting the global reporting initiative. *Journal of business ethics*, 131, 469-486.
- Wang, C. (2014). Accounting standards harmonization and financial statement comparability: Evidence from transnational information transfer. *Journal of Accounting Research*, 52(4), 955-992.
- Weygandt, J. J., Kimmel, P. D., & Kieso, D. E. (2018). *Financial accounting with international financial reporting standards*. John Wiley & Sons.
- Yanto, H., Yulianto, A., Sebayang, L. K. B., & Mulyaga, F. (2017). Improving the compliance with accounting standards without public accountability (SAK ETAP) by developing organizational culture: A case of Indonesian SMEs. *Journal of Applied Business Research*, 33(5), 929-940.
- Zyznarska-Dworczak, B. (2019). The impact of the accountability on accounting development as the essence of sustainability accounting. *Problems of Management in the 21st Century*, 14(1), 73-83.