

Implementation of green accounting in Kaamala Resort Ubud

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ABSTRACT

Green accounting is pivotal for companies addressing environmental challenges through effective financial management. Despite its recognized benefits, many organizations hesitate to adopt environmental accounting due to concerns about profitability. This research aims to analyze the implementation of environmental accounting reporting at Kaamala Resort Ubud, located in Bali. Employing descriptive qualitative methods, the study utilizes primary data from interviews with the chief accounting manager and secondary data from the resort's 2023 profit and loss report and general ledger. Data collection methods included direct observation, documentation studies, and in-depth interviews. The findings reveal that while the resort's environmental cost accounting practices align with PSAK (Indonesian Financial Accounting Standards), the recording is overly simplistic and lacks transparency, as it merges with other cost accounts. Additionally, specific reporting based on the Hansen and Mowen model has not been implemented. The study proposes a tailored model design for environmental cost accounting, highlighting the importance of effective practices for cost analysis and informed decision-making, ultimately leading to cost savings.

Keywords: CSR, green accounting, implementation

1. Introduction

The advancement of tourism significantly impacts the development of tourist destinations, both positively and negatively [1]. The tourism sector has become a pillar of the national economy, contributing positively through job creation, new business opportunities, and increased regional income. In Bali, the growth of the tourism sector has notably attracted the hotel industry, with a projected increase in star-rated hotels from 2020 to 2022. According to data from the Central Statistics Agency (BPS) of Bali Province, the number of hotels reached 498 in 2022, with an average growth rate of 14.81%, primarily concentrated in Badung Regency.

However, the success of Bali's international tourism is accompanied by challenges, particularly concerning environmental sustainability [2]. Changes in land use can adversely affect the environment, leading to resource depletion and waste management issues [3]. The increased hotel accommodations correlate with rising waste generation, including organic waste from restaurants [4].

In 2023, Gianyar Regency faced significant waste challenges, generating 196,698.50 tons of waste, largely due to tourism. Poor waste management can harm ecosystems, necessitating environmentally friendly practices in the hospitality industry. Companies increasingly adopt environmental management to mitigate operational impacts and fulfill corporate social responsibility [5].

Environmental accounting, or green accounting, plays a crucial role in addressing these issues by identifying and measuring environmental impacts [6]. Despite the growing awareness of environmental issues, Indonesia lacks specific standards for environmental accounting, leading to varied implementations across companies [7]. The difference of this research compared to previous studies is that it first examines the recognition, measurement, and reporting applied by the company, which is then allocated to costs related to environmental accounting, adjusted according to the Hansen and Mowen concept. The Hansen and Mowen model categorizes environmental costs, aiding in accurate measurement and decision-making.

Despite its benefits, environmental accounting faces challenges, with some companies perceiving it as detrimental to profits [8]. Nonetheless, it remains essential for addressing environmental issues and fulfilling corporate responsibilities. The application of environmental accounting in Indonesia, particularly in resorts like Kaamala Resort Ubud, is limited. This resort employs various sustainable practices but does not specifically account for environmental costs.

The environmental cost accounting research at Kaamala Resort stands out due to its focus on the application of PSAK in the tourism context, examining the recording, measurement, and reporting of environmental expenditures. Unlike other more general studies, this research utilizes the environmental cost model from Hansen and Mowen for a more in-depth analysis. This study aims to contribute to the development of green accounting practices in the Indonesian resort industry, enhancing financial reporting quality and aiding management in decision-making regarding environmental management.

2. Method

This study utilizes a qualitative approach with a descriptive method to analyze the application of environmental cost accounting and corporate social responsibility at Kaamala Resort Ubud, located at Jl. Bisma No 888x 80571 Ubud, Bali. The research spans three months, from November 2023 to January 2024. Data sources include primary data, such as transcripts and recordings from interviews with the chief accounting manager, and secondary data, including financial reports and ledgers. Data collection involves in-depth interviews, documentation studies of organizational records, and direct observations of operational activities.

Validity is ensured by confirming interview transcripts with informants and triangulating data through repeated observations and documentation comparisons. Descriptive data analysis is employed to interpret the findings, which includes reviewing financial reports, conducting semi-structured interviews, and observing environmental impacts. Data reduction simplifies

and organizes the information, leading to insights on green accounting practices, challenges faced, and recommendations for improvement.

3. Results and Discussion

Environmental Cost Accounting at Kaamala Resort Ubud

Kaamala Resort Ubud implements environmental cost accounting by recognizing, measuring, and reporting costs associated with its environmental activities. The resort integrates these costs into the "other expense" account in its financial statements, reflecting its commitment to environmental stewardship and compliance with the Bali Provincial Regulation No. 1 of 2017 on Environmental Protection.

Based on interviews, the resort allocates funds for various initiatives, including waste management and local infrastructure maintenance. The treatment of these costs aligns with Indonesian Financial Accounting Standards (PSAK), as they are recognized on an accrual basis and reported collectively under other expenses.

[Table 1](#) summarizes the compliance of Kaamala Resort Ubud's environmental cost accounting with PSAK standards:

This demonstrates that Kaamala Resort Ubud effectively adheres to PSAK in its environmental accounting practices, ensuring responsible management of environmental costs.

Table 1. Comparison of Environmental Cost Recognition, Measurement, and Reporting of Kaamala Resort Ubud

Description	Kaamala Resort Ubud	PSAK	Compliant
Other Expense	Recognized on an accrual basis and recorded as double entry	Recognized on an accrual basis and recorded as double entry	Valid
	Measured as cash or cash equivalents used	Measured as cash or cash equivalents sacrificed	Valid
	Reported in the income statement under other expense	Reported in the income statement	Valid

Source: Secondary Data Processed, 2024

Environmental Cost Accounting at Kaamala Resort Ubud

The financial statements serve as a means to discuss the company's financial information with stakeholders such as management, investors, and auditors. In this context, environmental costs refer to expenditures incurred by the company related to environmental damage caused and the protective measures taken. These environmental costs represent the company's investment in managing the environmental impacts arising from its operational activities, which can influence the company's future development [\[9\]](#). However, based on an interview with Ibu Okta, Kaamala Resort Ubud has not implemented a separate presentation of environmental costs in its financial reports. Currently, these costs are presented under "other expenses." Although the resort has incurred environmental costs, the presentation does not align with the theory proposed by Hansen and Mowen, which categorizes environmental costs into four categories: prevention costs, detection costs, internal failure costs, and external failure costs. The interview with Ibu Okta indicates a lack of understanding of this theory, and the recording of costs is done according to superiors' directives rather than following established accounting principles. This situation has drawn the researcher's attention to identify the costs related to the environment and to perform account mapping according to Hansen and Mowen's theory. The alignment of environmental cost presentation can be seen in the comparison of cost components presented in a table that outlines various subcomponents of costs incurred by Kaamala Resort Ubud.

Recommendations for Environmental Cost Accounting Reporting at Kaamala Resort Ubud According to the Hansen and Mowen Model

Based on the previous data, Kaamala Resort Ubud should present environmental costs separately in the annual financial report to enhance transparency. Adopting cost classification according to Hansen and Mowen's model, including prevention costs, internal failure costs, detection costs, and external failure costs, is highly recommended. A specific presentation plan for environmental costs in the annual report is essential to demonstrate commitment to sustainability. The implementation of green accounting and training for management is also necessary to effectively assess environmental cost efficiency. Additionally, regular monitoring and evaluation of environmental programs will help optimize incurred costs. Involving stakeholders in the reporting of environmental costs can enhance accountability. Furthermore, it is important to comply with regulations such as the Environmental Protection Law, which mandates proper reporting and management of environmental impacts. By following these recommendations, Kaamala Resort Ubud can strengthen its reputation and attract more tourists and stakeholders. [Table 2](#) shows environmental cost report for Kaamala Resort Ubud year 2023.

Table 2. Environmental Cost Report for Kaamala Resort Ubud Year 2023

Environmental Costs	Amount (IDR)	Total (IDR)	% of Total Environmental Costs
Prevention Costs			
Supplier Selection Costs	158,000		
Control Equipment Selection Costs	900,000		
Process and Product Design Costs	1,550,000		
Total Prevention Costs		2,608,000	25.82%
Detection Costs			
Product and Process Inspection Costs	538,000		
Environmental Activity Inspection Costs	170,000		
Pollution Testing Implementation Costs	593,000		
Total Detection Costs		1,301,000	12.88%
Internal Failure Costs			
Risky Waste Processing and Disposal Costs	1,250,000		
Material Recycling Costs	1,760,000		
Waste Destruction Equipment Operational Costs	2,153,000		
Total Internal Failure Costs		5,088,000	50.37%
External Failure Costs			
Realized External Failure Costs			
Personal Injury Claim Settlement Costs	0		
Cleaning/Repairing Contaminated Environment Costs	1,105,000		
Loss Due to Poor Environmental Image	0		
Unrealized External Failure Costs			
Care Costs for Victims Exposed to Contaminated Environment	0		
Loss of Livelihood Costs	0		
Loss of Good Environment Costs	0		
Total External Failure Costs.		1,105,000	10.94%
Total Environmental Costs		10,102,000	100%

Source: Secondary Data Processed, 2024

4. Conclusion

Based on the research on the implementation of environmental cost accounting at Kaamala Resort Ubud, the conclusions of this study are:

1. The treatment of environmental costs at Kaamala Resort Ubud is by PSAK, but they are still recorded simply in one account, namely other expenses.
2. Although environmental costs are presented in the income statement, they are still categorized under other expenses, indicating a lack of transparency in the financial statements according to Hansen and Mowen's theory.
3. Kaamala Resort Ubud should present environmental accounting reports separately from traditional financial statements to provide clearer information for the government and stakeholders. By applying the Hansen and Mowen model, environmental costs can be categorized into prevention, detection, and internal and external failure costs. The plan to prepare a special report in the future indicates management's awareness of the importance of environmentally friendly accounting, which will aid in making balanced decisions between company operations and the surrounding environmental conditions.

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