



## ACCOUNTING FOR SUSTAINABLE DEVELOPMENT—A CASE STUDY OF CITY FARM

GEOFF LAMBERTON

*Southern Cross University, Center for Accounting and Finance, Faculty of  
Business and Computing, New South Wales, Australia*

An accounting model designed to evaluate performance in achieving the objectives of sustainable development is applied to an organisation striving for a mix of ecological, social, and economic goals. The accounting model uses environmental performance indicators and life cycle analysis to measure performance against ecologically efficient and sustainability targets, utilising both quantitative and qualitative data. It is found that the organisation's industrial design is consistent with some of the ecological goals of sustainable development, but ecological and financial constraints, together with priorities of the economic system within which the organisation functions, lead to specific aspects of the organisation's operations being ecologically unsustainable. The paper concludes that the accounting model enables an organisation's contribution to the multidimensional objectives of sustainable development to be evaluated, and the implications of this for accounting and the sustainable development agenda are discussed.

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### Introduction

Inextricably linked to the ecological crisis that confronts humankind are the activities of business organisations which result in the production of industrial waste and pollution and the consumption of a diminishing natural resource base (Holland and Petersen, 1995; Aplin *et al.*, 1995; Trainer, 1996). Concern about the severity and pervasiveness of ecological destruction has led to a search for a new form of economic development that is consistent with desired ecological and social goals. Emerging from this search is the concept of sustainable development which has the potential to provide business with an alternative set of values to divert decision making away from a singular focus on economic performance.

Attempts within the accounting discipline to absorb the sustainable development concept are in the exploratory stages and have led to a new form of accounting referred to as "accounting for sustainability", or alternatively "accounting for sustainable development". This form of accounting goes beyond conventional

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accounting, which focuses on financial objectives, by including environmental and social objectives in the accounting framework. This paper reports on the results of applying an "accounting for sustainable development" model to an organisation which is striving to achieve the ecological, social and economic goals contained within a multidimensional perspective of sustainable development.

### **Defining Sustainable Development**

Considerable momentum toward developing the sustainable development concept at the global level is credited to the international fora resulting in the publication of *Our Common Future* (WCED, 1987) and Agenda 21 (United Nations, 1992). Given widespread support for sustainable development as an appropriate goal for humankind, the process of transformation to sustainability requires clarification of the precise meaning of the concept as well as the formulation and implementation of relevant policy. Clarifying the concept has proved difficult and no single definition of sustainable development has universal acceptance, although an evolving theme is the conception of sustainable development as a synthesis of ecological, social and economic goals (United Nations, 1992; Milne, 1996; van der Bergh, 1996; Westing, 1996; Frankel, 1998). Gudmundsson and Hojer (1996) define sustainable development as a multi-directional concept.

"Development represents increase in quality of life and social equity. Sustainability represents long-term survival of systems that provide foundations for development." (Gudmundsson and Hojer, 1996, p. 272).

This definition captures the multidimensionality of sustainable development linking the long term survival of ecological and social systems to development, which includes the consumption of economic goods as well as socially equitable distribution of both economic and natural resources.

There is also recognition that implementation of sustainable development policy is required at multiple levels (e.g. global, national, regional, municipal, organisational, individual), and, given the size and potential innovative capacity of the global business community, the organisational level is considered crucial to the process of transformation to sustainability (Shrivastava, 1995; Starik and Rands, 1995). As organisations shift their foci from an exclusively financially oriented perspective and respond to the challenge of sustainable development, accounting systems are needed to provide feedback on organisational performance towards the multidimensional objectives of sustainable development. The accounting for sustainable development model applied in this research provides an example of a possible form for this type of accounting.

### **Environmental Performance Indicators**

The incidence of corporate environmental reporting is gathering momentum in both Australia (Deegan and Gordon, 1996) and overseas (Owen *et al.*, 1996). State-of-the-art environmental reports document environmental policies,

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