OPPORTUNITIES FOR APPLYING INTERNATIONAL FINANCIAL ACCOUNTING AND REPORTING STANDARDS IN UNDER THE GREEN ECONOMY CONDITIONS

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Abstract: In the era of increasing ecological consciousness and sustainable development, the green economy has become an integral part of global economic discussions. This article examines the potential of implementing International Financial Accounting and Reporting Standards (IFRS) within the framework of the green economy. Emphasis is placed on the alignment of financial accounting and reporting practices with sustainability principles, the challenges of transparency in environmental investments, and the integration of environmental performance metrics (such as carbon foot , energy efficiency , water usage waste generation and management , air and water quality indices, biodiversity impact and renewable energy usage)in financial statements. Additionally, the role of international accounting bodies like the Association of Chartered Certified Accountants (ACCA) in shaping the future of sustainable reporting is highlighted. A qualitative research method was employed, including literature analysis and case studies. The article concludes that applying IFRS in a green economy context enhances accountability, comparability, and investor confidence, provided appropriate regulatory and infrastructural adjustments are made.

Keywords: Green Economy, International Financial Reporting Standards (IFRS), ACCA, Sustainability, Financial Transparency, Environmental Accounting, Ecological Investments.

Introduction

In recent years, the global demand for environmental sustainability has been increasing steadily. As a result, the term **"green economy"** has emerged. Green economy is an economic system which helps to reduce environmental risks and ecological challenges while promoting sustainable development without degrading the environment. It especially focuses on efficient usage of resources , social equity and ecological safety.

These changes are also reflected in the financial activities of enterprises and organizations. In particular, the need to apply international standards (IFRS) in the field of accounting and financial reporting is growing. The transition to a green economy—defined by the United Nations Environment Program (UNEP) as an economy that results in improved human well-being and social equity, while significantly reducing environmental risks—demands re-evaluation of traditional accounting practices. As financial systems evolve to support sustainable investments and climate-related disclosures, International Financial Reporting Standards (IFRS) emerge as crucial tools for standardizing financial practices worldwide.

In this context, aligning financial reporting with sustainability principles is not merely an option but absolutely a necessity. This article explores how the application of IFRS can support the green economy by ensuring transparency, accountability, and comparability in financial disclosures and the opportunities for applying international accounting and financial reporting standards in the context of a green economy. Furthermore, it assesses how accounting professionals, supported by institutions like ACCA, can adapt to emerging trends in environmental financial reporting.

Literature Review

The role of IFRS in advancing environmental responsibility has been recognized by scholars and institutions globally. According to the International Financial Reporting Standards Foundation (IFRSF, 2021), the development of the International Sustainability Standards Board (ISSB) marks a pivotal step toward integrating sustainability into mainstream financial reporting.

Gray et al. (2014) 1emphasize the significance of environmental accounting in their work, noting that accounting practices must evolve to reflect the true cost of environmental degradation. Meanwhile, KPMG's global survey (2022) 2reports that over 80% of top companies now integrate sustainability metrics in their financial disclosures, highlighting a shift towards transparency in ecological impacts.

The ACCA has also taken leadership in this area. In its various reports and qualification syllabi, ACCA has incorporated sustainability, ESG (Environmental, 1 2 Social, Governance) factors, and integrated reporting. According to the ACCA (2023),3 accountants must serve as ethical leaders and advocates of green finance.

Research Methodology

A qualitative research method was utilized to assess the possibilities of IFRS implementation in the context of the green economy. Primary sources include scholarly articles, institutional reports (e.g., from IFRS Foundation, UNEP, ACCA, and OECD), and real-world case studies of companies integrating green practices with IFRS-based reporting. Analytical focus was placed on environmental disclosures, carbon accounting, and sustainable financial instruments.

Analysis and Discussion of Results

1**. Alignment of IFRS with Green Economy Principles**

IFRS is built on principles of transparency, comparability, and accountability—all of which are compatible with the green economy's emphasis on responsible and ethical resource use. For instance, IFRS 13 (Fair Value Measurement) allows companies to factor in environmental liabilities when assessing asset values.

Additionally, the Climate-related Financial Disclosures (TCFD) recommendations have become influential in shaping how IFRS can support ESG disclosures.

2. Enhancing Transparency in Environmental Investments

The application of IFRS can standardize reporting on eco-friendly investments, such as renewable energy projects or carbon credit trading. By disclosing environmental liabilities and expenditures (e.g., under IAS 37 for provisions), companies can improve credibility with investors and stakeholders.

Multinational corporations like Unilever and Tesla already integrate sustainability focused disclosures into their IFRS-compliant reports, showcasing the viability of this approach.

3. Challenges and Barriers

Despite the potential, several challenges impede the full application of IFRS in a green context:

Lack of Specific Standards: IFRS does not yet mandate uniform reporting for environmental impact or sustainability efforts.

Data Inconsistency: Measuring and verifying environmental metrics is complex and lacks standardized benchmarks.

Limited Professional Training: Accountants often lack the necessary expertise in environmental issues, creating a skills gap.

4. The Role of ACCA and Accountants in a Green Economy

Accountants are no longer limited to tracking debits and credits; they are becoming stewards of sustainability. In a green economy, accountants play a vital role in ensuring accurate measurement and disclosure of environmental data, recommending sustainable investment strategies, and complying with evolving international standards.

The ACCA supports this transition by equipping finance professionals with sustainability-focused knowledge. Its qualification syllabus includes modules on ESG reporting, climate risk, and integrated reporting, ensuring that accountants are prepared for the new demands of sustainable business practices. ACCA's partnerships with the UN, IFAC, and other global institutions further promote the integration of ethical and green principles into financial reporting.

Conclusion and Recommendations

The implementation of IFRS within green economic frameworks holds great promise for ensuring financial accountability and promoting environmentally responsible investment. However, for effective application, institutions must address current limitations by:

- Encouraging the development and adoption of sustainability-specific IFRS standards.
- Providing professional training in environmental accounting.
- Ensuring collaboration between standard-setting bodies, governments, and industries.

Recommendations

1. Development of Green-Specific IFRS Guidelines:

International accounting bodies should introduce dedicated standards or supplements within IFRS that address green assets, liabilities, and environmental disclosures in a clear and uniform manner.

2. Integration with Sustainability Frameworks:

Financial reporting should align more closely with global sustainability reporting standards such as TCFD and ISSB to ensure comprehensive coverage of both financial and non-financial indicators.

3. Professional Training and Education:

Accounting professionals must be trained in environmental finance and sustainability reporting. Universities and professional bodies should update their curricula and certification programs accordingly.

4. Standardization of ESG Metrics:

To improve comparability and reliability, a standardized global framework for ESG (Environmental, Social, and Governance) metrics should be established and integrated into financial reporting systems.

5. Use of Technology for Green Reporting:

Businesses should adopt digital tools such as AI and data analytics to track and report sustainability-related financial data more efficiently and accurately. International professional bodies like ACCA play an instrumental role in shaping a future-ready accounting profession. By embedding ESG-related content into its programs and promoting ethical leadership, ACCA contributes to building a generation of finance professionals capable of addressing the challenges of a green economy. Therefore, greater integration of ACCA-aligned sustainability modules in academic and professional training is strongly recommended**.**

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