

The Natural Environment: Providing a Focus for an Integrated Course in Accounting

**Professors D. Jacque Grinnell and Herbert G. Hunt III
University of Vermont School of Business Administration**

Abstract

The fact that environmental issues affect all of the traditional accounting sub-disciplines and is a topic of great interest to today's students make environmental accounting an ideal focus of study for an integrative course in accounting. This paper describes the underlying philosophy and pedagogy of one such course, discusses its perceived benefits and challenges, and provides a well-tested blueprint that other instructors should find useful in designing similar courses. For those specifically interested in environmental accounting, an extensive and up-to-date reading list is included which should also prove helpful.

The fundamental objective of the course that we offer is to enhance understanding of how accounting information is, or can be, used to support corporate environmental strategy and to assess the firm's environmental performance. In pursuit of this overall objective, the accounting sub-disciplines are studied in terms of their relationship to environmental issues, and for the purpose of gaining understanding of how accounting concepts and techniques can be used to address and help solve a variety of environmental problems. In terms of subject material, we use a three-tier approach starting with an examination of the macro and global dimensions of environmental degradation and the role of governments in addressing environmental issues. We then move on to a review of the role and responsibilities of business in addressing environmental issues. The third tier, which constitutes the bulk of the course, examines the role of accounting as it relates to environmental issues, starting with a general overview. We then investigate the key aspects of various accounting sub-disciplines, including their role in supporting management decision making, measuring environmental performance, and providing management incentives. Specifically, we examine in detail the implications of environmental factors for **management accounting, product costing, capital expenditure analysis, performance measurement, external reporting, measurement and disclosure of environmental liabilities and contingencies, income taxes and international issues**. In addition, evidence related to the **economic consequences** of disclosure of environmental information is examined through a review of market studies. We also devote time to the topic of **pollution allowances** (tradable permits) because of the important accounting and compelling ethical issues that they raise.

This course is easily adaptable for a number of different uses and audiences. It can be used in a general-purpose business curriculum as an elective for both graduate and undergraduate students as it is at our institution. Moreover, by adjusting the reading list, increasing or decreasing the written assignments, adjusting the rigor of technical assignments, or otherwise changing the pedagogy, this course could be adapted for use at a variety of levels for accounting majors, other business students or nonbusiness students. Overall, despite some challenges in developing and offering an integrative course of the type described here, we conclude that the benefits are significant from both instructional and professional development points of view. Furthermore, we view the course as achieving several of the goals set out by the Accounting Education Change Commission for educating students to meet the future needs of the accounting profession.