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**Practices of Environmental Management Accounting (EMA) and Links to
External Reporting**

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Abstract

Environmental Management Accounting (EMA) is increasingly recognized as a crucial tool for integrating environmental information into corporate decision-making and reporting practices. Studies indicate a moderate adoption of physical EMA and a lower use of monetary EMA across various industries (Phan, 2017; Gunarathne and Alahakoon, 2016). Factors influencing EMA implementation include environmental sensitivity, company size, and top management support. Although EMA adoption can enhance environmental performance, its link to external reporting remains limited due to a lack of standardization and regulation. However, challenges persist in connecting EMA to global sustainability issues (Schaltegger, 2017), and there is a need for more comprehensive EMA implementation and legislation.

Applying environmental management accounting practices (EMAP) thus represents a combined approach that provides for the transition of data from financial accounting and cost accounting to increase material and energy efficiency, reduce environmental impact and risks, and reduce environmental protection costs. If all companies in a national economy were to realize that producing waste is almost always more-costly than treating and disposing of it, then without question, these industries would engage in cost reduction through waste minimization rather than focusing on end-of-pipe solutions. This process would additionally move companies to strive for continuous improvements in this area to improve profit and efficiency, not only to comply with environmental regulations (Jasch, 2009). Considering the importance of the information provided by applying EMAP, the research question of this study is: To what extent are environmental management accounting practices linked to the external reporting of organizations?

For this purpose, the study has several associated aims in order to fill in the research gap of the link of EMAP to external reporting, such as: What is EMA? What are the practices of EMA? How are EMA practices implemented? What is the regulated context? To what extent is the non-standardization of practices, terms, and guidelines? The research also aims to explore the distortion of environmental costs in overhead accounts and the potential environmental revenues that conventional accounting may not have recognized.

Therefore, the next step of this research is to engage in practice by choosing a company that is significantly involved in environmental activities as a case study following the call for further engaged research within organisations where academics should engage with practice to develop further EMA tools and controls (Gibassier and Alcouffe, 2018). We can find different research methodologies and designs in the literature concerning the EMAP investigation. The most commonly used methods include case studies, surveys, content analysis, and mixed methods (Iredele and Ogunleye, 2018; Magoba et al., 2024; Mokhtar, 2015). It is worth mentioning that most of the previous studies were more focused on the level of implementation and the impact of applying EMAP but not on the link of EMAP to external reporting. Accordingly, the expected contribution of this research is to fill in this gap by contributing to the literature on the degree of association of EMAP to external reporting. Additionally, practitioners are expected to benefit from the results of this study by increasing their awareness of EMAP and its link to external reporting, which will allow them to achieve more accurate pricing and identify opportunities for cost savings or additional revenue recognitions.

Keywords

Environmental Management Accounting;

External Reporting;

Sustainability