

Social and Environmental Accounting Effect on Companies' Profit (An empirical study of some companies in Erbil)

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Abstract: In the past two decades, the relations among environmental accountings information and company performances have pulled in critical research consideration. The effect of economic logical appears to be particularly inside the setting of deliberate accounting revelation and powerless state control experienced in creating economies. Therefore, the influence of environmental accounting on market execution has inspired a crucial number of empirical examines (Bowman and Haire, 1975; Vance, 1975; and Abbot and Monsen, 1979) done as ahead of timetable in the 1970s. Apparently, administration has an essential duty to stockholders, furthermore, their continuousness with pertinence depends on their capacity to create profound fortune.

The purpose of this study is to know whether (SEA), a company organization in Erbil, Kurdistan Region has an influence on profit.

This study, based on 50 local and international firms located in Erbil, KRG, were given a questionnaire, which was answered, by either the CFO or the accountant of the firm. This in an attempt to find out to what extent they care about the environment and society and if there are any governmental regulations and policies that needs to be followed and what affects this policy has on profits annually particularly in 2017.

Key words: Environmental Accounting, Firm Profitability, Environmental reporting, company financial performance

List of Abbreviations

SEA: Social and Environmental Accounting

HICPA: The Hong Kong Institute of Certified Public Accountants

GAAP: Generally Accepted Accounting Principles

CSEDs: Corporate Social and Environmental Disclosures

ROCE: Return on Capital Employed

EPS: Earnings per Share

CFO: Chief Financial Officer

EA: Environmental accounting

SA: Social accounting

KRG, KRI: Kurdistan regional Government or Kurdistan Regional- Iraq

Chapter One: Introduction

1.1 Introduction

The accounting system is liable for various difficulties, of which this paper should inspect the difficulties created by natural exercises. The accounting system is poorly prepared in giving sufficient data about the environmental exercises of associations. Environmental issues have turned out to be worldwide, and accordingly environmental accounting might be deciphered at a few unique levels, for example, authoritative, territorial, and national. Due to the way that a huge part of environmental harm is connected to the business segment, the corporate parts of environmental accounting are a key point of research. The review looks to discover the elements that drove to the arrangement of environmental accounting, the procedures that it experienced and additionally its current significance on a

universal and local level. Earth environment is a rich legacy that has been passed down to us by previous eras. The present progress has included us in shifted exercises. A hefty portion of these exercises created squander with potential constituents. A definitive transfer of the waste prompt to natural contamination in many parts of the world, the size of contamination of the environment has, as of now reached a worrying level (Pramanil, Shiland Das, 2007).

Accounting is seen today as the precise advancement and examination of data identifying with monetary undertakings of an association. What's more, a standout amongst the most critical motivations behind accounting in present day, is the office it provides for end-clients and makers to have entry to significant data concerning an association's money related positions. The financial information can help operational chiefs regarding arranging and controlling and works to diminish hazard and vulnerability. They can likewise help

proprietors and administrative elements judge and survey the association's execution and help them settle on satisfactory choices about the association's future (Rodica, Alina, and Selina, 2014). The data concerning the execution of the firm is critical for proprietors, loan specialists, providers, workers and others since it will figure out if they ought to put resources into the firm or not (Armstrong, Barth, Jagolinzer, and Riedl, 2010). Representing environment aids in exact appraisal of expenses and advantages of natural protection measures of organizations (Schaltegger, 2000). It gives a typical system to associations to distinguish and represent past, present and future ecological expenses to bolster basic administrative leadership, control and open revelation (KPMG and UNEP, 2006). The seriousness of ecological issues as a worldwide phenomenon has its harsh effect on the nature of our life. Measures are being taken both at the national and global level to decrease, anticipate and alleviate its effect on social, financial and political circles (GRI, 2002; GRI, 2006). Worldwide awareness of partners on corporate ecological execution has officially made conventional announcing excess. Corporate houses keep running into the danger of the loss of confidence in their partners, if in the future, ecological execution data is excluded in their standard announcing (Swift, 2001). The method of reasoning behind the long-standing carelessness of firms of their natural suggestions is delineated inside the setting of the partner shareholder banter about. The thought which underlies the 'shareholder point of view' is that the main obligation of supervisors is to serve the interests of shareholders in the most ideal way, utilizing corporate assets to increment the abundance of the last by looking for benefits (Freedman, 1998; and Jensen, 2001). In contrast, the 'partner viewpoint' recommends that other than shareholders, different gatherings or constituents are influenced by an organization's exercises, (for example, workers or the nearby group), furthermore, it must be considered in administrators' choices, conceivably similarly with shareholders (Werhane and Freeman, 1999).

Nonetheless, late talks on the rising ecological difficulties recommend that the shareholder view may essentially speak to a gullible comprehension of ecological matters. In divulging the ramifications of environmental accounting that may even represent a danger to shareholders' advantage, Akhaiyea (2009) contends sturdily that "Corporate carelessness and shirking of environmental costing leave crevice in monetary data detailing, consequently there is no fulfillment and accuracy of reasonable view to clients of money related data, for example, shareholders, furthermore, potential budgetary financial specialists." This proposes natural ramifications of business operations could influence corporate monetary explanation, for example, making liabilities which might be real or unexpected and may represent a critical danger to resource values. The Hong Kong Institute of Certified Public Accountants (HICPA),

2004 notes that natural substances constitute inborn hazard to corporate financials. In specific situations, these dangers incorporate hazard of material error of important data that is of noteworthy enthusiasm to shareholders.

Thus, there is expanded mindfulness from both shareholders and partners on the significance of representing the earth, and an ever increasing number of associations have found themselves being stood up to with issues of natural responsibility. In any case, the expanded accentuation of the requirement for organizations to represent the earth, the impact of environmental accounting on association's money related execution has developed as of late as a subject of intrigue. The strength of financial soundness as cultivated by the deliberate ecological divulgements has flagged firms' expanded enthusiasm for money saving advantage point of view to environmental accounting. Howes (2002) takes note of that environmental accounting manages the era, investigation and utilization of adapted naturally related data keeping in mind the end goal to enhance corporate environmental and financial execution. Inside this unique circumstance, environmental accounting is seen to stretch out past inward and outside natural bookkeeping, and furthermore sets up a practical connection with financial performance

In relating environmental accounting with profitability, Roberts (1992) clarifies utilizing partner's hypothesis that financial execution of a firm influences administration's choice to take part in representing the earth. Ali (2000) highlights the likelihood that money related execution of organizations acquiring cost from environmental accounting may vary altogether from those that do not and this could flag a practice where organizations can contaminate the environment but then seem more monetary proficient than others seem which bring about expenses to secure nature. Likewise, there is confirmation that revelations of natural execution measures are important to the estimation of the firm, with high contamination levels bringing down firm valuations (Hughes, 2000). There is likewise a proposal that organizations that rate well on social and ecological criteria likewise give superior to normal comes back to shareholders (Al-Tuwaijri et al., 2004).

1.2 Research Problem

Researchers endeavors to cover social and environmental accounting and its impact on the organizational income and acts. Some of the accounting establishments are spending many of their wealth as part of their social and environment responsibility and that surely will have impact on performance of the company in the market. This study attempts to find out to what extent KRG based firms have social and environmental responsibility and how companies use social and environmental accounting? If the answer to the above question is yes then to what extent, if the answer is no this research attempts to sort out an academic answer.

1.3 Research Motivation

The reason for writing this essay is due to the lack of insight and knowledge on SEA in the Kurdistan Region as well as how to take care of the surrounding environment and society by the company in the region. In a developing country, it is critical to study environmental and social concerns, especially pollution and environmental damage. In this study, the researcher will attempt to understand to what extent the local and international companies follow SEA policies, how significant it is to them, and if they follow these policies, how much fund they make in a year.

1.4 Aims and Objectives

The main aim of the present review is to write a more reasonable evaluation of the relations between environmental disclosure and firm's financial performance by determining a single and a few different relapse models. Which record for both individual impacts of environmental disclosure and the impact relations between natural exposure and a few firm-particular factors on corporate a financial performance. The purpose of this study is to find out if SEA has an impact on wealth accumulation.

1.5 Research Structure

This research contains four fundamental parts, which are: the literature review, methodology, discussing the data analysis and results, and the conclusion. First, the literature review will include two sections, which are the hypothetical foundation and presentation. The hypothetical foundation section contains the speculations, which identify with this review, for example, Legitimacy Theory, Stockholders Theory, and Institutional Theory. In other words, the field on the philosophy and gathering of information will concentrate on the way toward collecting data and depicting the factors. The third segment concerns the examining of information and talk of the outcomes, which will incorporate the examination of the information and its elucidation in connection to the writing in the area of finance and accounting. This done by getting advantage of PC projects to support the information, for example, utilizing SPSS to investigate the entire dataset and utilizing Excel programming to collect information and draw charts. Examination of the data takes after many levels; initially, utilizing illustrative investigation to find out the factors' midpoints and also the base, most extreme and standard deviations for every variable. Finally, the part's last segment will report the results and additionally the constraints of, and reflections.

Chapter Two: Literature Review

2.1 Introduction

The financial report presents a variety of data in details, includes environmental cases; and given that the financial performances of companies is related, in part, to the company's environmental performance, stakeholders care

more about the environmental performance of the firms. Akhaiya (2009) provides a delineation of the concept of environmental accounting incorporating various perspectives. Note that, in the context of national income accounting, environmental accounting indicates the accounting of natural resources that refers to the statistics of the consumption of natural resources of a nation or region, furthermore takes into account the scope, quality and value of natural resources that are renewable or non-renewable. In the context of financial accounting, environmental accounting knows the preparation of financial reports to external users using the Generally Accepted Accounting Principles (GAAP). This is the financial information to external users that conveys the impact on the environment and the activities impacting eco-efficiency.

The issues of environmental accounting and reporting has gotten significant enthusiasm from scholarly and scientists amid the most recent three decades (Rajapakse, 2003, Surman and Kaya, 2003, Thompson and Zakarai, 2004, O'Donovan & Gibson 2000). The effects of various reviews that count the relationship between corporate financial performance and complete social and environmental relation demonstrate blended outcomes.

These specialists found a positive relationship amongst benefit and the farthest point of corporate social and environmental disclosure (Waddock and Graves, 1997), while Cowen et al. (1987) found no relationship between factors. Once more, the consequences of Belkaoui and Kirkpik (1989) have a tendency to be additionally charming. Altogether they demonstrated a combined connection, yet an unimportant negative relapse coefficient for the arrival on resources and connect social and environmental disclosure. Information on social performance, social auditing, social accounting, socio-economic accounting, social responsibility accounting, and social and environmental reporting have been used interchangeably in the literature. Corporate environmental disclosure is a part of social information and environmental disclosures are mainly non-financial in nature. The scope of the corporate disclosure literature focuses on the determinants of voluntary disclosure and on the effect of voluntary disclosures on the return-to-earnings ratio (Healy & Palepu, 2001; Lundholm & Myers, 2002). However, there is not enough research of specific studies on Corporate Social and environmental disclosures (CSEDs) in both modern and developing countries.

The profitability, as well as the financial performance of the companies, was used by several researchers as variable for differences in the stages of disclosure. In the cases, the relationship between corporate financial performance and corporate social and environmental disclosure is apparently a standout amongst the most disputable issues yet to be (Choi, 1998). Defenders contend that there are extra expenses connected with the environmental disclosure and, the gainfulness of the revealing organization is discouraged.

There are those analysts utilizing advantage enlistment and among these specialists, Roberts (1992) has found a positive relationship between level of benefit of an organization and corporate social and environmental disclosure. Be that as it may, Patten (1992) neglects to locate a critical positive relationship amongst productivity and social and monetary disclosure. Various reviews have been completed on accounting and environmental/social assertions.

Survey of the testimony literature shows that firms are exploring social and environmental information in corporate annual reports and this has grown over the years. Researchers have argued that the level of Corporate Environmental Accounting and Disclosure depends on a few corporate qualities and there are observational reviews that inspected the extent of environmental disclosure and counts the relationship between the disclosure of environment and different corporate properties. Nevertheless, many of them concentrated on created nations and less reviews concentrated on creating nations, for example, India. It has additionally been contended that the social and environmental disclosure of organizations cannot be connected generally to all nations that have diverse monetary advancement and with partnerships that have distinctive levels of mindfulness and states of mind towards corporate environment disclosure (Makori, 2013). It has likewise been seen that a large portion of them depended on substance examination of yearly reports. Content investigation is right now the most utilized method for the examination of accounts in money related reports (Shil and Iqbal, 2005). Since this technique is more utilized by the creators, this review has a little deviation examination of the substance to look at the impact of environmental accounting on the productivity of specific organizations utilizing multiple regression models.

The main idea of the study reveals many significant negative correlations between environmental accounting and return on capital employed (ROCE) and share (EPS) and a significant positive correlation between environmental accounting and Net Earnings and dividend per share (Makori, 2013). There is a significant correlation between environmental accounting disclosure and the company's financial results when environmental accounts are managed by company-specific variables such as firm size, industry type and auditor firm type (Che-Ahmad, Osazuwa, and Mgbame, 2016). According to stakeholder theory, the economic performance of a company affects the management's decision to engage in environmental accounting and also disclose the results. When companies are not doing well, financial requirements take precedence over social and environmental responsibility expenditure (Roberts, 1992).

Moreover, such activities are less likely to have financial ability to provide more information to meet the needs of the various stakeholders of the company (Meek et al., 1995).

Stakeholder theory postulates a positive relationship between economic performance and the level of the decision of a company to engage in audit. (Joshi et al., 2011), in a study in India found profitability exhibiting a significant inverse relationship to the environmental issue, appears to suggest that environmental information in India has different priorities from the information in the Western world. Also in a study on companies listed on the Bombay Stock Exchange, resulting in environmental accounting and solid profitability seems to be mixed. While net profit and dividend per share shows a positive ratio, return on capital employed and earnings per share exhibit negative relationships with environmental accounting (Makori, 2013). This point of view also it corroborates the practice of reporting that disclosures of environmental information are voluntary, Hence diversity in the practice of reporting.

However, Jaggi and Freedman (1992) examine the long-term relationship between Environmental performance and corporate performance, using the percentage change in three Contamination measures and various accounting ratios as empirical variables for performance and corporate performance, respectively. The results give credence to the existence no significant association. The authors note that this lack of importance they have resulted from a negative association between the variables of interest that actually it countered any positive association suggested by previous studies. An inverse relationship between environmental and corporate is in line with the orthodoxy associated with traditional economic thinking that represents this relationship as compensation between the profitability of the company and acting on their environmental responsibility (Freedman, 1992).

Razeed (2009) argues that the economic performance (measured by profitability) is critical in the decision to become involved in the environmental disclosure. However, the relationship between environmental performance and economic performance is based on a contradictory theoretical theory support that prior empirical research has not clarified. It is imperative to note that the profitability could influence the decision of the companies to reveal information. Additionally, Bassey et al. (2013), investigating the impact of accounting and reporting on the organizational performance of selected oil and gas companies in Niger Delta area of Nigeria using Pearson's product moment correlation, found environmental cost to be positively significant with the performance of the organization.

2.2 Theoretical Perspectives

There have been several theories as to why a company can decide to act responsibly. These theories are seen by many environmental accounting researchers as the theories to understand social and environmental accounting and reporting practices. Based on a review of the literature

regarding different theories on social and environmental accounting, it is understood that the theory of legitimacy, stakeholder theory and institutional theory are the most appropriate theories to develop a theoretical framework for this research. And Elkington (1994) triple bottom line concept integrates financial, social and environmental dimensions, insists on the positive relationship between sustainability, and the value of companies (Perego, 2005).

Based on this principle firms provide information on social, environmental and economic matters that fall within a single report (EugenioEt al., 2010). Schaltegger establishes new a form of accountability by bringing environmental accounting as a means of measurement on the basis of Physical units - in the field of the environment accounting. Ecological accounting is developed regardless of traditional accounting, and it is later integrated into traditional accounting at both the management and financial Accounting. Environmental Accounting takes the existing financial accounting system as a given fact, and does not deal with the Compilation of accounting information (Schaltegger-Burritt, 2000). The triple bottom line trend has been led by pioneering firms such as Interface, Inc, Electrolux and Bristol Meyers Squibb, but it has also been adopted by many other corporations. 3M's perspective is expressed by W. James McNerney, Jr., its Chairman and CEO (McNerney 2004):

"For a hundred years, 3M people have provided innovative and useful products to generations of satisfied customers. 3Mers have also recognized that the long-term success of the company stems from the adoption and implementation of the principles of sustainable development: management to the environment, contributions to society and the creation of economic value and worth."

Next Step Consulting, a London-based consulting firm, has produced a website (2004) that has a database of thousands of social and environmental reports, which can be searched by company name, business sector, affiliation UK FT 250, (CERES), the World Business Council for Sustainable Development (WBCSD), and / or country. Sustainability reports are also available on Green @ Work (2004) and International Corporate Environmental Reporting (2004) websites. The WBCSD provides broad guidance on sustainability reporting through its Sustainable Development Reporting Portal (WBCSD 2004).

The exact reasons that motivates managers to build an accounting system is to provide information on the evaluation of the sustainable development of the company. Additionally, to the essential motivation of the managers and the importance of accounting for the corporation's sustainable development, include the following five main factors: green company propaganda (Gray, 2006), imitation and industrial pressure (Schaegger et al. 2005), pressures of law, shareholders and commercial license (Cooper & Owen, 2007), company self-discipline (Gunningham, 2007) and

corporate responsibility and ethical factors (Ashman and Winstanley, 2007).

According to existing literature, explanations based on the point of view of sustainable development, special attention to the construction of the macroscopic theory, focus mainly on the relationship between the company and the society, the environment and the economy from the height of the strategy the relevant literatures mainly to present the positioning, the functions and the motivations of the sustainability accounting, and to emphasize the importance Non-financial information and management. However, current studies only point out that sustainability accounting is the direction of extension and development of environmental accounting, but not the specific differences between sustainability accounting and environmental accounting in that raise neither a specific framework or a system of sustainability accounting.

2.2.1 Legitimacy Theory

The theory of legitimacy offers a view that the interrelationship between an organization and the related social expectations is simply a fact of social life. According to this theory, the survival of an organization is established by both market forces and the expectations of the community, and thus an understanding of the broader concerns of society expressed in community expectations become a necessary precondition for the survival of an organization. The theory it focuses on the assumption that an organization must retain its social role by responding to the needs of society and give society what it wants (Shocker and Sethi, 1974, Suchman, 1995; And Deegan, 2002).

2.2.2 Institutional Theory

Lounsbury (1997, 2008), Dillard et al. (2004) and Ball & Craig (2010) make an analysis about social and environmental accounting from an institutional theory angle, according to institutional theory, organizational behavior is conditioned by expectations derived from the institutional environment. Institutional theory deals with examine and explain how institutionalized norms and pressures affect social change among the organizations. This theory is emerging slowly but steadily as a useful theoretical theory. In relation to the environmental implications of the operations of an organization and behavior, the institutional framework emphasizes the importance of regulation, and the cognitive factors that affect the decisions of companies to adopt a specific organizational practice. Bail & Craig (2010) argued that the theory especially the new institutionalism provides "a major paradigm of research in organizational sociology." The institutional analysis of the organizations, and applied the method of analysis of four quadrants presented by Lounsbury (1997, 2008) to research on environmental accounting problems in Canada and England under the background of different systems, in order to

propose a standardization perspective and study the theory and theory of social environment accounting.

2.2.3 Stakeholder Theory

Freeman and Reed (1983) identify stakeholders as “those groups that have interest in the actions of the corporation.” In a follow-up study, Freeman (1984) reviewed stakeholder theory and redefined stakeholders as any individual or group that has an interest in the company because he or she can affect or is affected by the activities of the company. Carroll (1991) defines an interested party as “any individual or group that may affect or be affected by actions, decisions, policies, practices or goals of the organization.

Chapter Three: Methodology

3.1 Introduction

Chapter three explains the methodology that has been used to prove our main point that was discussed in the previous chapter, which is how Social and Environmental accounting affects the profitability of a firm. In this chapter, the researcher will give an explanation of how the case study had been conducted. Robson defined case study as “a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple source of evidence” (Robson, 2002). The strategy that had been used is an empirical case study of a chosen number of companies local or international. The case study was conducted to see which kind of relationship does Social and Environmental accounting has on firm profitability in Erbil in 2018.

Erbil, capital city of Kurdistan Region is now home of many industrial companies, international companies, malls, construction sites and new higher buildings for new businesses, a world trade center is about to open and a large variety of businesses opened recently in the fast developing city. Erbil became also home for many local businesses, industries and institutions, such as schools, universities, hospitals and banks. Since Erbil has a fast growing economy and is slowly going towards globalization, we have to discover whether the firms that work here really care about the environment and social aspects or they just neglect it and only care about their own profit.

3.2 Research Hypothesis

During the research we wanted to find out if there is a positive relationship with Environmental accounting and profitability, if there is a negative relationship with Social accounting and profitability, or the firms actually don't care about any Social or Environmental practice or it's been neglected. Here the following hypothesis expressed by (Makori, 2013):

Ho₁: There is a positive relationship with Environmental accounting and profitability.

Ho₂: There is a negative relationship with Social accounting and profitability.

Ho₃: The firms don't care or neglect any Social or Environmental practice.

3.3 Research Model

Like we said earlier that our main variable or our dependent variable will be profitability, but we also know that profitability is composed of so many things together that we can show in the following model that will be considered as the independent variable:

$$X_0 = X_1 + X_2 + X_3 + X_4$$

X₀: Profitability

X₁: Return on Capital

X₂: Net Profit Margin

X₃: Dividend per Share

X₄: Earnings per Share

3.4 Sample and Data collection

Because of limited sources, there is quite often the need to test respondents for any examination (Saunders et al. 2007). It might be included that it is not functional to utilize the entire populace to direct the overview since that procedure requires a considerable measure of exertion and devours a ton of time. The expression "Test" is part picked from the entire arrangement of information, which is called "populace" to mirror the reactions of the entire populace (Denscombe, 2010). "When you have chosen the strategy for gathering your hands on work information and you have pondered what to ask, you ought to be prepared to choose the qualities of the respondents" (Naoum, 2007). Saunders et al. (2007) include that the span of the example may effect on the degree of importance of relationship between factors of the study.

While a little example size may not be illustrative, a specimen measure too expansive can make the view of essentialness of a non-existing relationship. Independent of these, it is illustrative to choose a specimen measure suitable for the review with the utilization of a technique that offered each other equivalent shot of choice. It must be noted that the two organizations were advantageously chosen because of the simple access to information by the researcher. In this study, we tried to target the manufacturing firms and the factories, since the topic is closely related to them than any other company, it could be local or an international one. Some of them are Erbil Steel, Al-Hayat Co., Erbil Nayab Dairy, Karin Industrial Group, and many more.

The different types of information gathering are clarified: thus, the review embraces questionnaire as instruments for information accumulation in a joint qualitative approach. The overview procedure of study organization allows the accumulation of information from an extensive variety of reactions. The extensive method of information gathered accumulates enough confirmation that built up conclusions for the review. Yin (2003) contends that the study procedure allows the gathering of a lot of information which are later

broken down with the assistance of the suitable measurable modules towards establishing of conclusions.

The next section explains how the questionnaire will be addressed to the different firms.

3.5 Survey Questionnaire

This research will be questioning companies in Erbil, KRG as of 2017 to gather data needed. The data to be collected from this questionnaire will be qualitative primary data. The questionnaire will question a number of manufacturing or Industrial forms and factories local or international to know what kind of Social and Environmental policy are they following.

Due to the limit of time, a shorter number of firms will be questioned in each sector, however it is still representative and reliable and verifiable information that will be given by the firms. The purpose of this research is to understand the usefulness of the Social and Environmental policy and their effects, each question was clearly explained so a fair and verifiable answer is expected from the CFO, Accountant or Finance Manager.

Chapter Four: Results and Discussion

4.1 Introduction

In this chapter, the researcher will discuss the results of the findings from the questionnaire. The expected results are that SA and EA have an effect on profitability of a firm, that the firms in Erbil actually think about pollution and how it effects the environment surrounding them and not only think about their own profit and neglecting the environment. So the effect might be as following: EA has a positive effect on profit. 2- SA has a negative effect on profit. 3- Or the firms totally neglected these policies. For those reasons, the researcher conducted the questionnaires in order to know the firms in Erbil how much they follow these policies. If they do how much is their profit annually after following these policies. To what extent they help the environment and society, whether the government helps them to follow these policies, and many more questions.

The next section will discuss the results from the questionnaire and the expected findings he or she would expect to find.

4.2 Data analysis expectations

This section discusses the data analysis expectations of the researcher. The expected results were that EA has a positive effect on profitability, and SA has a negative effect on profitability. However, the results from the questionnaire turned out to be different from what the researcher expected. First of all, most of the firms didn't want to answer the questionnaire since they thought that they are giving private information about the firm to the public. Second, most of them didn't even what I was talking about; because they said we are considered as a developing area we still haven't reached that level to care for the environment and society.

In the next section we will discuss in more detail about the results of the survey.

4.3 Results

This section discusses the answers of the organizations that were addressed or made a request to take part for the situation think about, the examination of every firm and their accounting policies. Every firm has been asked similar inquiries as indicated by a survey that was given to the Accountant or CFO of every firm. The individual addressed was asked whether he or she needed to fill the poll independent from anyone else or if they needed the researcher to ask the inquiries. A portion of the population addressed wanted to fill the poll independent from anyone else. The inquiries were anything but difficult to answer, for example, the yes or no inquiries, or inquiries that break down the degree with which they are in concurrence with the announcement. For instance, the inquiries were given the likelihood of answers from less to more.

4.3.1 Questions with possibility of answers

The number of the population was about 50, and the first 10 questions have possibility of answers and it was mostly about EA. The first question was if you contribute in reducing waste and using public transport the highest percentage was 28% neutral rate, second, was if you feel that environment destruction is a big threat and it was 24% for both low and very high rate. Third, to what extent you think consumption of goods as a threat to natural environment and it had 38% with neutral rate, fourth, was your ability to sense when you project destructive feelings onto the environment it had 28% for high rate. Fifth, was people have to change their consciousness to avoid an environmental catastrophe it had 30% for low rate, sixth, was the ability to identify environmental factors that contributes in illness ad stress it had 28% for low rate. Seventh, was ability to create and maintain a felt sense of oneness with the creation it had 24% for both neutral and high rate, eighth, the extent to which you regard the natural environment as a source of healing, inner peace, and inspiration it had 30% for neutral rate. Ninth, the extent to which you are actively involved in political and social actions to protect the natural environment it had 26% for both low and very high rate. Finally, was the extent to which you engage in “inner work” such as meditation to improve your personal sustainability and the sustainability of the world around you it had 26% for neutral rate.

4.3.2 Yes/NO questions

This part of the survey was yes/no and “Don't Know” questions for both SA and EA.

Questions	YES	NO	Don't know
11	40%	40%	20%
12	36%	34%	30%
13	42%	28%	30%
14	42%	24%	34%

“Social and Environmental Accounting Effect on Companies' Profit (An empirical study of some companies in Erbil)”

15	52%	34%	14%
16	42%	32%	26%
17	40%	34%	26%
18	50%	26%	24%
19	26%	44%	30%
20	32%	38%	30%
21	42%	30%	28%
22	38%	38%	24%
23	36%	38%	26%
24	44%	34%	22%
25	32%	46%	22%
26	34%	38%	28%
27	42%	30%	28%
28	36%	36%	28%
29	40%	42%	18%
30	44%	26%	30%
31	36%	40%	24%
32	28%	34%	28%
33	36%	36%	28%
34	32%	38%	30%
35	36%	42%	22%

Table (1) Survey questions percentage

I conclude as can be seen from the the above data which shows that not many of the firms really take reasonable

attention concerning the environment or the society that’s due to the location and economy of Kurdistan region, since Kurdistan Region is considered as a developing state and economy so these kinds of acts will be neglected.

4.3.3 Profit Question

In this part, the researcher only had a question for profitability thinking that it will be enough to find the effect of SEA on profit, so it lead to the result of “there is no relationship between SEA and profit”. A chi-squared test, additionally composed as χ^2 test, is any factual speculation test wherein the inspecting circulation of the test measurement is a chi-squared appropriation when the invalid theory is valid. Without other capability, 'chi-squared test' regularly is utilized as short for Pearson's chi-squared test.

In statistics, the quantity of degrees of freedom (df) is the quantity of qualities in the last figuring of a measurement that are allowed to fluctuate. The quantity of autonomous courses by which a dynamic framework can move, without abusing any limitation forced on it, is called number of degrees of freedom.

Count

		During, this year how much profit you made by following the social and environmental accounting policy				Total
		10,000-50,000	50,000-100,000	100,000 and above	None	
Environmental	7.00	0	1	0	1	2
Accounting	8.00	0	1	0	4	5
	9.00	0	1	0	4	5
	10.00	3	1	1	5	10
	11.00	2	1	0	8	11
	12.00	2	1	0	5	8
	13.00	1	0	0	6	7
	14.00	0	0	0	1	1
	16.00	0	1	0	0	1
Total		8	7	1	34	50

Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	18.752 ^a	24	.765
Likelihood Ratio	17.894	24	.808
Linear-by-Linear Association	.069	1	.793
N of Valid Cases	50		

a. 33 cells (91.7%) have expected count less than 5. The minimum expected count is .02.

Table (2) EA profit question

		During, this year how much profit you made by following the social and environmental accounting policy				Total
		10,000-50,000	50,000-100,000	100,000 and above	None	
Social Acct	2.00	1	1	0	3	5
	3.00	2	1	0	8	11
	4.00	5	3	0	9	17
	5.00	0	1	1	9	11
	6.00	0	1	0	5	6
Total		8	7	1	34	50

Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	10.125 ^a	12	.605
Likelihood Ratio	11.980	12	.447
Linear-by-Linear Association	1.661	1	.197
N of Valid Cases	50		

a. 17 cells (85.0%) have expected count less than 5. The minimum expected count is .10.

Table (3) SA profit question

Chapter Five: Conclusion

5.1 Conclusion

It expected to come up with a result that indicates a relationship between SEA and profitability, but through the survey that was carried out, it came up with that the relationship doesn't exist due to lack of knowledge about this topic and not having enough questions about profitability to reach the expected results.

The outcomes demonstrate that there exists a critical relationship between environmental accounting revelation and company's benefit when firm directs natural bookkeeping. factors like; size, industry sort and huge four evaluators, however the outcomes give an impression of being blended with industry sort and enormous four evaluators demonstrating positive relationship, while estimate displaying a negative relationship. The result is pair with the Shareholder-Stockholder perspective. The negative opinion is in accordance with the shareholder school of thought which contain that the duty of administration is to serve the enthusiasm of shareholders in the most ideal way utilizing organization's assets to build the abundance of the shareholders.

Thus, the results of this paper conclude many facts to come across through out empirical study. These results are; companies can have flash on many important possible regulations such as rise awareness among people to use public transportation, also the environmental issues become crucial to humanity if we forget about environment and do

whatever we want then the results will be very bad. We can work as mediator to share ethics about environment from one company to another by holding seminars and conferences, by specifying some of the incomes to spend on these issues. Due to lack of a strong regulation and observation by government and public institution many companies are not protecting environment, in the long term the damage will be a disaster for nature, society and businesses. Its important that government and other public institution such as parliament to consider long term progress continue with no damage or minimum damage to the environment.

5.2 Recommendations

At last, it can be presumed that absence of environmental reporting and disclosure principles essentially influences the reporting and disclosure uniformity of environmentally related data in financial statements, annual reports, and accounts. Emerging from the above discoveries, the researcher wishes to prescribe as takes after:

- i. Accountants must prepare report on environmental accounting.
- ii. distribute environmental accounting models locally and universally and checked on persistently to guarantee dynamism consistence and meets natural situational needs.
- iii. define and actualize firms on environmentally friendly approaches to increase the chance of their competitiveness.

- iv. receive uniform reporting and arguments of environmental issues with the goal of control and measurements of performance.
- v. authorising and announcing environmental related issues better to be left to substantial company just as even little businessmen ought to be urge to report and reveal natural affect/related exercises in their annual reports and records.
- vi. Provide training and information regarding environmental awareness by using mass media and technology.
- vii. Appropriate environment requires for a company to establish and make profit.
- viii. Cooperation between academic institutions and business organizations to produce suitable cadre.

5.3 Limitation and Ethical Consideration

Limitations

It might be seen that most of this paper geographically related and bound to the KRG, Erbil city. A critical impediment is the constrained measure of time offered to finish the present review by the researcher's establishment. This chart takes up a specific end goal to beat such impediments relating to interval entries and support of different turning points important to finish the review in time. It is basic to build up a timetable with pre-decided gains turning points trying to monitor vial exercises that are central in meeting basics due to dates of venture. The researcher's critical work routine likewise served as a noteworthy hindrance around there. Other vital difficulties, for example, the time assignment to every survey and meeting organization was changed because of experience picked up from the pilot study. Different ramifications of the methodology to discoveries are talked about in the following chapter.

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Appendix
Questionnaire

I am a senior student in the University of Erbil, and for my graduation research project I am conducting a questionnaire to examine the impact of social and environmental accounting on profitability in international as well as local firms in Erbil in 2018, the capital of Kurdistan Region of Iraq. Feel free to answer the questions, no name or information will be published to public under any circumstances.

NO.		Scale
1	If you don't mind rate the degree to which you abstain from damaging the earth in your day by day life, e.g., through recycling your waste, using public transport If possible, and so on.	1 2 3 4 5 Less More
2	Please rate the extent to which you feel that environmental destruction is a serious threat to our health and the health of future generations.	1 2 3 4 5
3	Please rate the extent to which you regard the present level of consumption of goods as a threat to the natural environment	1 2 3 4 5
4	Please rate your ability to sense when you project destructive feelings onto the natural environment.	1 2 3 4 5
5	Please rate the extent to which you believe that people have to change their consciousness in fundamental ways to avert an environmental catastrophe.	1 2 3 4 5
6	Please rate your ability to identify environmental factors that might be contributing to stress and illness.	1 2 3 4 5
7	Please rate your ability to create and maintain a felt sense of oneness with the creation, a state of being often also called person-planet unity, ecstasy, or grace.	1 2 3 4 5
8	Please rate the extent to which you regard the natural environment as a source of healing, inner peace, and inspiration.	1 2 3 4 5
9	Please rate the extent to which you are actively involved in political and social actions to protect the natural environment.	1 2 3 4 5
10	Please rate the extent to which you engage in “inner work” such as meditation to improve your personal sustainability and the sustainability of the world around you.	1 2 3 4 5

ENVIRONMENTAL PRACTICES	DEGREE OF APPLICABILITY		
Water Supply and Wastewater Disposal	YES	NO	DON'T KNOW
11. Investment in water storage, distribution and purification facilities are keeping pace with local demand for water.			
12. There is no evidence of salt-water intrusion or other sign of subsidence owing to the over extraction of ground water.			
13. Measurable progress is being made to promote any onsite sanitation system (non-polluting, resource recovery technology, or even traditional on site systems such as septic system).			
14. The city's sewerage treatment system is being expanded as needed to keep pace with collected waste water demand.			
15. The natural environment is still capable of absorbing wastewater so that no risk exists of lasting damage to natural water courses or			

health hazards to the population.			
Solid Waste Reduction and Recycling			
16. Alternative technologies are being considered for the routine collection of household waste to avoid littering and the use of less environmentally friendly methods.			
17. Increased pressure on local institutions to reduce generation of water and to recycle has achieved a major reduction in the amount of waste paper, plastic, and metal products ending up in the landfill.			
18. Use is being made of methane gas generated during landfill decomposition as an alternative energy source.			
19. Landfill conditions are monitored regularly for the suppression of nuisances from odour, dust, airborne paper, combustibles, and various pests.			
20. There is strong public support for waste reduction, reuse, and recycling. Priorities of reducing and revising wastes are acknowledged.			
Land Use and Planning			
21. Proposals for new development are reviewed in relation to their possible effects on the environment (e.g., groundwater sources, geological terrain, and soil contamination).			
22. Green spaces and corridors within the town are preserved and, where scarce, are being provided.			
23. New developments provide convenient opportunities for growing food locally.			
24. Current policies favour preserving woodland areas and increasing the number of tree in town.			
25. Conservation areas have been identified and published plans for preservation and enhancement have been implemented.			
26. Should accounting professionals play their part in social and environmental aspects of companies/organisations in Erbil?			
27. Do we need a mandatory requirement to prepare a corporate social responsibility and environmental report?			
28. Have you ever given permission to your employees to take a vacation for his weeding?			
29. Have you hired employees from the areas surrounding you?			
30. The productivity of employees are closely monitored			
31. Laws are maintained for the benefits of the employees.			
32. The company is giving enough money to the charity.			
33. Different measurements are taken to reduce wastage.			
34. Wastage material is going for recycling.			
35. Keep workplace clean and neat.			

During, this year how much profit you made by following the social and environmental accounting policy:

- \$10,000-\$50,000
- \$50,000-\$100,000
- \$100,000 and above
- None