



True Value Impact Accounting

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True Value Impact Accounting is an initiative to facilitate accounting for impact on society and the environment that is as rigorous as conventional double entry accounting systems are for money transactions and the reporting of organizational profit performance.

Conventional double entry money accounting is an essential piece of the business management ecosystem and is at the core of every successful efficient business. An early description was published by Luca Pacioli, a contemporary of Leonardo da Vinci, in a major work on mathematics. Accountancy has stood the test of time and served business and investors very well, though its value with respect to people, society and the environment has been at best marginal.

Over the last 200 years there have been massive changes. As regards population, in 1900 the global population was 1.7 billion people, and in 2014 passed the 7.1 billion mark. The environment is under pressure as never before not only because of population growth but by the consumption associated with improved standards of living and per capita economic growth. The prevailing socio-enviro-economic growth model is dangerously unsustainable.

Improved knowledge has enabled improved agriculture, the industrial revolution, and an emerging information age. This has resulted in improved quality of life and more efficient and more profitable business. It is now widely recognized that the environment and society are important parts of a sustainable economy, and something more than conventional accounting and financial reporting are required. Many initiatives to achieve this are in play like the Global Reporting Initiative (GRI), Integrated Reporting (IR), the Sustainability Accounting Standards Board (SASB) and others, all of which aim to expand business reporting to include environmental and social issues.

True Value Impact Accounting (TVIA) is an accounting architecture to complement conventional accountancy. TVIA addresses the same issue as GRI, IR, SASB, etc. but integrates conventional accounting concepts that are powerful about money and financial capital with value and impact issues for ALL the capital of the socio-enviro-economic system ... that is Human Capital, Social and Relationship Capital, Natural Capital, Physical Capital, Intangible Capital and Financial Capital.

TVIA uses established methods used in conventional financial accounting for the more complete data architecture required for everything in the socio-enviro-economic system:

- A single financial capital becomes multiple capitals reflecting **everything** in the socio-enviro-economic system
- A primary focus on organizations and investors becomes every perspective and reporting entity including organizations, people, places, products, processes and streams.
- Expressing everything in money terms becomes multiple units of account specific to the situation.
- Money cost and money price results in money profit. TrueCost and TrueValue results in better appreciation of value add and value destruction arising from everyday decisions.
- Where an organization might use standard costs to manage its operations, TVIA uses standard value profiles to encourage better decisions for socio-enviro-economic decision sustainability.

MULTIPLE CAPITALS

FINANCIAL CAPITAL in modern times, ignoring the STATE of the environment and society which are 'externalities' to the business as the primary reporting entity. In the TVIA data architecture there are 3 main segments of capital:

| | Conventional Accounting | TVIA |
|----------|--|---|
| Capitals | A single part of capital: Financial | ALL of capital: Created Financial Capital Human Capital Social / Relationship Capital Natural Capital Created Physical Capital Created Intangible Capital |

MULTIPLE REPORTING ENTITIES.

Almost all of conventional business and economic analysis has a focus around corporate organizations and stock markets (investors). TVIA expands the focus to ALL the other actors in the socio-environmental system using a common framework of accounting and integrated reporting.

| | Conventional Accounting | TVIA |
|---|---|---|
| Reporting Entities (Multiple Perspectives) | A single perspective: Business Organizations | Many different perspectives: Business Organizations Other Organizations Places People Communities / Networks Products Processes Streams |

MULTIPLE UNITS OF ACCOUNT

Instead of accounting simply using money as the unit of account, there are separate units of account to relate to each of the capitals. By thinking in terms of UNITS OF ACCOUNT, it becomes easier to apply the generally acceptable rules and principles associated with MULTI-CURRENCY ACCOUNTING and the handling of EXCHANGE RATES.

| | Conventional Accounting | TVIA |
|------------------|--------------------------------|--|
| Units of Account | Money (Multiple Currencies) | Money (Multiple Currencies) HC unit for People (Quality of Life) NC unit for Land NC unit for Water NC unit for Air NC unit for Climate / GHG NC unit for Ecosystem Services NC unit for Bio-diversity NC unit for Natural Resources |

MORE: See <http://truevaluemetrics.org>