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IMPACT INVESTING: ACCOUNTING AND COST MANAGEMENT FEATURES

The research examines the concept of impact investments, outlining its main characteristics and features, and defining the criteria by which investments can be classified as impact investments. The key elements of impact investing are purposefulness, measurability, and additionality. The causes and trends in the global impact investing market are identified. It is established that impact investing offers significant opportunities for investors, such as achieving positive social impact, balancing risk and return, and enhancing reputation, among others.

The need to measure and report costs and results using appropriate metrics is justified to understand the degree of impact, as well as the effectiveness of the portfolio and individual investments. Since the assessment of impact investing efficiency includes determining both social and environmental impact and financial indicators, several methods that can be adapted to evaluate the efficiency of impact investing are proposed. It is demonstrated that impact investing can incur costs in various aspects, which may vary depending on specific strategies and projects.

The main figures related to investments in environmental protection are considered. The catastrophic impact of military actions on Ukraine's ecosystem is established, and the key challenges and opportunities for environmental impact investing in Ukraine during the war and post-war recovery are identified.

It is concluded that the growing recognition of the need for environmental protection leads to an increase in environmental investments and costs, highlighting the importance of environmental accounting.

The work examines existing classifications of environmental costs and identifies a classification that can serve as the basis for developing the Working Plan of Accounts and organizing their analytical accounting. It is also proposed to introduce an internal reporting form for environmental costs – the Environmental Cost Report. The introduction of this report should simplify the process of summarizing information on environmental costs when preparing Form 2, 'Statement of Financial Results.'

The authors consider the main arguments against separate accounting of environmental costs, which should be taken into account when deciding whether such accounting is necessary.

Keywords: impact investment, martial law, environmental costs, management, accounting, efficiency
JEL classification: ***E22, G31***

У дослідженні розглянуто поняття імпакт-інвестицій, його основні характеристики та особливості, визначені критерії, за якими інвестиції можна віднести до імпакт-інвестицій. Встановлено, що ключовими елементами імпакт-інвестування є цілеспрямованість, вимірність та додатковість. Визначені причини та тенденції розвитку світового ринку імпакт-інвестування. Встановлено, що імпакт-інвестування дає значні можливості для інвестора, зокрема такі, як досягнення позитивного соціального впливу, збалансований підхід між ризиком та прибутком, підвищення репутації, тощо.

Обґрунтовано необхідність для розуміння ступеня впливу, а також ефективності портфеля та індивідуальних інвестицій, вимірювати витрати й результати та звітувати про них, використовуючи відповідні параметри-виміри. Оскільки оцінка ефективності імпакт-інвестування включає в себе визначення соціального та екологічного впливу, а також врахування фінансових показників, запропоновано декілька методів, які можливо адаптувати для оцінки ефективності саме імпакт-інвестування. Доведено, що імпакт-інвестування може зазнавати витрат у різних аспектах, і ці витрати можуть варіюватися в залежності від конкретних стратегій та проектів.

Розглянуті основні цифри щодо інвестування в охорону навколишнього середовища. Встановлено катастрофічний вплив військових дій на екосистему України, виявлені основні виклики та можливості для екологічного імпакт-інвестування в Україні в умовах війни та післявоєнній розбудові.

Зроблено висновок, що зростаюче розуміння необхідності охорони навколишнього середовища, призводить до зростання обсягів екологічних інвестицій та збільшення екологічних витрат та обґрунтовано важливість екологічного обліку.

У роботі розглянуті існуючи класифікації екологічних витрат та виокремлено класифікацію, яка може бути основою для розробки Робочого плану рахунків та при організації їх аналітичного обліку. Також запропоновано до запровадження форму внутрішньої звітності з обліку екологічних витрат – Звіт про екологічні витрати. Запровадження запропонованого звіту має спростити процедуру узагальнення інформації щодо екологічних витрат при побудові Форми 2 «Звіт про фінансові результати».

Розглянуто основні аргументи проти, які слід враховувати при вирішенні питання про необхідність окремого обліку екологічних витрат.

Ключові слова: імпакт-інвестиції, воєнний стан, екологічні витрати, управління, облік, ефективність

JEL classification: ***E22, G31***

Introduction.

Impact investing has been gaining momentum in recent years due to increased public awareness of climate change and the aggravation of such problems as unequal access to healthcare services, racial and gender inequality, etc.

Impact investing is the investment of capital with the aim of obtaining social and/or environmental impact and financial return [1, p.69].

The main characteristics of impact investing include: generating a positive environmental and social impact; achieving a financial return on capital; encompassing a wide range of sectors and regions; and regularly measuring social and environmental outcomes [7].

Despite certain problems [8; 9], investors choose impact investing for the following reasons: the opportunity to reinvest money in socially useful projects or organisations; additional assets can be linked to charitable goals of social or environmental change; investors do not work against themselves, i.e. investments are in line with their charitable values.

Accordingly, the specific opportunities resulting from impact investing include: raising additional funds; ensuring business continuity; attracting investor clients; securing resources for the organization's projects and initiatives; and strengthening working relationships among stakeholders [7].

Impact investing is an important tool for supporting sustainable development, economic stability and ecological recovery during the war and in the process of post-

war reconstruction of Ukraine. It allows resources to be directed to socially significant projects, promotes job creation, improves the quality of life of the population, and stimulates innovation in the field of energy and environmental technologies, which is critical for long-term recovery.

The increase in the volume of impact investments also increases the costs associated with their attraction, accounting, implementation, and realisation, and requires their appropriate effective management.

The purpose of the study is to develop proposals for improving the process of accounting and management of impact investment costs.

Literature review

Recently, scientific works of domestic scholars have been increasingly devoted to the issues of the essence, features, role and problems of impact investing. In particular, the work of Lomachynska I.A. considers conceptual approaches to defining the essence of impact investment [2]; Shvydanenko G.O. and Shvydanenko O.A. [3], Skorobohatova N.E., Doroshenko O.S. [1] consider the realities, world experience and prospects for the application and development of impact investment in Ukraine; the article of Plastun O., Artemenko A, Mykhailov D. highlight the essence and main aspects of impact business through the prism of impact investing and environmental impact assessment in order to achieve not only financial and economic, but also socially significant and environmental effects [4]; Sych O, Pasinovych I., Myshchyshyn I. propose the use of impact investment for the post-war revitalisation of Ukrainian cities [5]; applied aspects of impact investment as a modern concept of sustainable development are considered in the work of Ivanova N. [6].

However, both foreign and domestic studies do not pay due attention to the problems of accounting, efficiency assessment and cost management of impact investing, which is becoming an urgent issue in the context of increasing investor interest in this type of investment

Research methods

To achieve the purpose of the study, the methods of economic analysis were used to assess the current state of the impact investing market; morphological methods - to analyse the key elements of impact investing; statistical methods - to forecast and analyse future conditions of impact investing, analyse factors of future development of the impact investing market

Analysis

Impact investments are made with the intention of creating a positive, measurable social and environmental impact, as well as financial gain (or no financial gain). It is an approach that seeks to address the challenges facing society and the environment. The intentions of impact investing are clear and targeted outcomes in so-called «underserved» areas. Impact investors often invest in innovative businesses and enterprises in sectors such as sustainable agriculture, affordable housing, healthcare, energy, clean technology and financial services for the poor.

The Global Impact Investing Network (GIIN) has identified four criteria by which an investment can be classified as an impact investment [10; 11]:

- goal setting. The business plan should include social goals, thereby determining what social result will be achieved in the end;
- return on investment. This indicator reflects the financial return on the investment. Impact investments tend to focus on long-term payback periods, which should be considered when developing markets for financing social projects;
- range of returns. This figure can vary (e.g., 1%, 5%, 20%). The relationship between the social outcomes, the effect, and the economic benefit should be clear. Revenues may be generated at market rates or at rates lower than market rates;
- measurement and evaluation of social impact. It is essential to measure and evaluate the social impact to confirm that the social objectives have been achieved and to reflect the contribution to addressing real-world problems.

There are several approaches to impact investing [12; 6]:

- environmental, social and governance (ESG) investing. ESG refers to investment

practices that can have a significant impact on the efficiency of an investment. The integration of ESG factors is used to improve traditional financial analysis by identifying potential risks and opportunities beyond technical assessment.

While changing social consciousness is seen as an outcome of investing, the primary goal of ESG assessment remains financial performance;

- socially responsible investment (SRI). SRI goes further than ESG by actively excluding or selecting investments according to specific ethical principles. The main motive may be religion, personal values or political beliefs. In contrast to ESG analysis, which generates scores, SRI uses ESG factors to apply negative or positive criteria in the investment sphere;

- green investing refers to investments in business projects that have a positive environmental impact, aiming to promote sustainability and environmental preservation.

Impact investors adhere to four practices that define impact investing (Figure 1) [10].

According to GIIN, the global impact investing market is valued at USD 1.164 trillion. The market grew from $420.91 billion in 2022 to $495.82 billion in 2023, reflecting a compound annual growth rate (CAGR) of 17.8%. The market was valued at $417.7 billion in 2020 and $354.41 billion in 2021 (Figure 2) [13; 14; 15].

At this growth rate, the impact investing market is projected to reach $955.95 billion by 2027 [15].

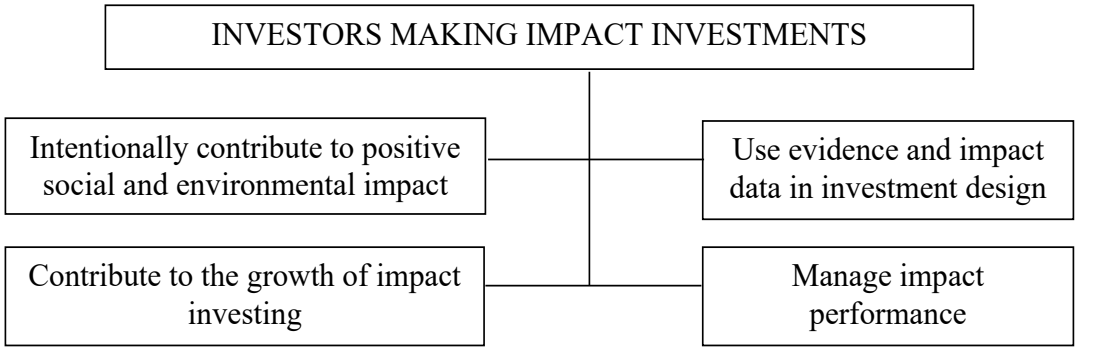

Fig. 1. Four practices that define impact investing

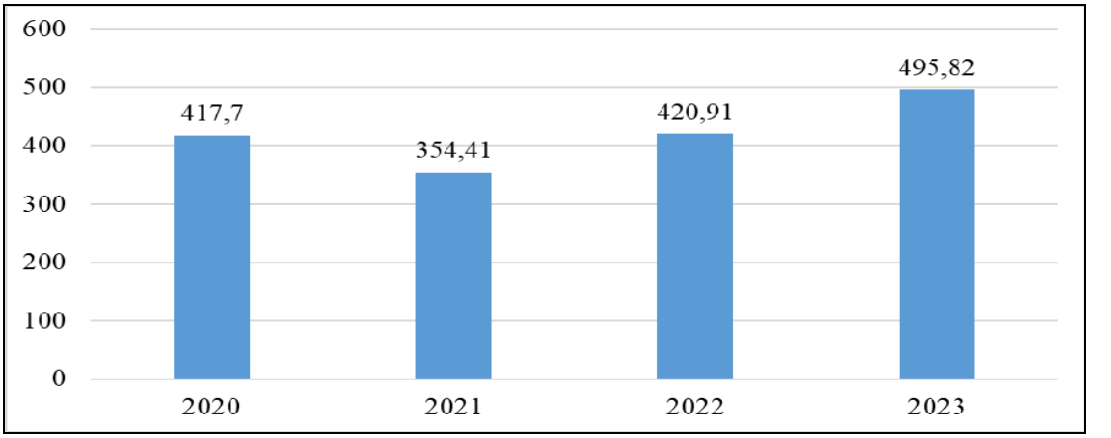

Fig. 2. Volume of the global impact investing market, billion USD

The increase in impact investing is primarily due to its opportunities for investors:

- investments in projects and enterprises that contribute to social development (social impact investments). This can include increasing access to education, improving healthcare systems, supporting gender equality, and other areas aimed at improving the quality of life;

- investing in projects and companies aimed at preserving nature, reducing emissions, using renewable resources and reducing negative environmental impact (environmental impact investments);

- creating financial products, such as infrastructure finance bonds or impact asset indices, to raise capital for impact investing (structured financial instruments);

- investing in small businesses and micro-enterprises in developing countries to support entrepreneurship and improve livelihoods (microfinance projects);

- investing in innovative technologies that have the potential to address important societal issues, such as healthcare, education, clean energy, etc. (technologies for social welfare);

- creation of impact funds or impact investment pools that pool capital for joint investments in projects and enterprises with a positive social and environmental impact (impact funds);

- investing in companies that actively implement sustainable development and responsible business strategies.

Thus, impact investing opens up opportunities for investors not only to receive financial returns but also to make a positive impact on society and the environment.

The key elements of impact investing are purposefulness, measurability and additionality (Table 1) [16].

Thus, to understand the degree of impact, as well as the performance of a portfolio and individual investments, businesses, investors, and managers must measure and report it clearly and accurately using certain parameters and measures (Table 2).

There are several commonly used tools for assessing the financial profitability of a potential investment, such as internal rate of return, NPV, etc. However, there are no analogues for estimating the expected social and environmental rewards in monetary terms. Predicting returns in this area is too often a matter of assumptions.

Since impact investing evaluation involves measuring social and environmental impact as well as financial performance, there are several methods that can be adapted to evaluate impact investing:

a) social and environmental metrics:

- KPIs (key performance indicators). Development and measurement of specific KPIs for each impact project or impact investment portfolio;

- SOC (Social Return on Investment). Calculation of the social return on investment, measured in monetary terms, which takes into account a wide range of effects on society;

b) financial metrics:

- ROI (Return on Investment). Calculation of the ratio of financial result to the cost of impact projects;

- IRR (Internal Rate of Return). Assessment of the degree of profitability of impact investments, taking into account the time aspect of the result;

c) analysis of risks and uncertainties:

Table 1

The key elements of impact investing

The key elements of impact investing	Characteristics
Purposefulness	Contributing to positive social or environmental outcomes
Measurability	Foreseeable social or environmental impacts must be measured and reported clearly and accurately
Complementarity	Seek social or environmental benefits that would not otherwise exist without the investment

Table 2

Measures of impact investing *

Measurement	Questions that each dimension seeks to answer
The type of impact that the investment contributes to	- What result is expected to be achieved during the period? - Is the outcome positive or negative? - How significant is the outcome to the people (or planet) receiving it? No more than three main impacts are chosen from the investment. These impacts must be linked to a relevant objective (e.g., a sustainable development goal) to ensure consistency with our impact objectives.
How. The process by which an investment in a company or fund contributes to impact.	- How is the impact achieved? - What business process ensures that the impact result is achieved? This acknowledges that there are different pathways (channels) through which impact is delivered, each requiring distinct measurement and management strategies.
Who. What stakeholders are involved and their attitude to the investment.	- Who experiences the result? - How satified or dissatisfied are the stakeholders with the result? Stakeholder: The type of stakeholder who experiences the outcome. Geography: The location where the stakeholder experiences the impact. Characteristics: The socio-demographic or other relevant characteristics of the stakeholder.
How much. How many stakeholders experience the result, what degree of change they experience, and how long they experience the result.	- What part of the result takes place - in terms of scale, depth and duration? Scale: the number of people who experience the result, or a relevant proxy for measuring scale. Depth/duration: the extent of the change in impact on the lives of stakeholders. This will depend on how disadvantaged they were before the investment, as well as how long the impact lasts.
Contribution. Whether these efforts can lead to better results than others**.**	- Would this change have happened anyway? Scale analysis: the investment's performance against a development impact scale. Contribution: the role of the capital, expertise and advice provided in sustaining and enhancing the impact of the investment.
Risk. The likelihood that the impact will differ from the expected one.	- What is the likely risk to people and the planet that the impact will not occur as expected There are nine categories of impact risk: evidential risk external risk stakeholder risk downside risk effectiveness risk execution risk alignment risk endurance risk risk of unexpected impact

* *Compiled and improved on the basis of [16-19].*

- Sensitivity Analysis. Determining how changes in input parameters affect project outcomes;

- Scenario Analysis. Consideration of different scenarios to determine the possible impacts;

d) weighting methods:

- Standardised institutional ratings (e.g. GIIRS). Use of rating systems to assess the social and environmental performance of companies;

- questionnaires and surveys of stakeholders. Collecting feedback from various stakeholders to determine social impact;

e) cost and value assessment:

- A system of interaction value. Analysis of the cost and benefits of impact investments relative to alternatives;

g) audits:

- certification of standards (for example, in Corp Certification). Use of standards and

certifications to demonstrate social and environmental responsibility.

These methods can be used both individually and in combination, depending on the specific impact project or impact portfolio. It is important to consider that evaluating the effectiveness of impact investments can be difficult due to the ambiguity of the definition of social and environmental impact, and the development of standards in this area is an active area.

Currently, there is almost only one method for assessing the effectiveness of impact investing – the Impact Multiple of Money (IMM), which is still in the stage of approval and improvement [20].

Based on the above, it is appropriate to conclude that the impact of impact investing (costs/results) should be measured and reflected in the reports of the entity, i.e., it is important to account for the costs associated with impact investing.

Impact investing can incur costs in a variety of ways, and these costs can vary depending on specific strategies and projects (Table 3).

While impact investing may involve additional costs, many investors consider these costs to be important in achieving positive social and environmental impact, which can then lead to sustainable development and improved quality of life.

As noted above, environmental impact is an essential component of impact investing.

Growing awareness of the need to protect the environment leads to an increase in environmental investments and environmental costs.

According to [21], environmental expenditures in Ukraine in 2020 amounted to UAH 41332201.7 thousand, which is UAH 19406621.8 thousand more than in 2014, and had a steady positive trend (Figure 3).

In the structure of environmental protection expenditures, the largest share (29.4 percent) is occupied by expenditures made in industry (Figure 4) [21].

The volume of capital investments for environmental protection has also increased, from UAH 226,792.1 thousand in 2006 to UAH 1,323,649.9 thousand in 2020 (Figure 5) [22].

The destruction of the ecosystem as a result of hostilities is one of the key challenges for environmental impact investing in Ukraine. Environmental pollution and ecosystem degradation in Ukraine due to the war are on a massive scale.

Table 3

Some costs associated with impact investing

Types of costs	Causes of occurrence
Research and evaluation costs	Before making an impact investment, investors must invest time and resources in researching and evaluating potential projects, which includes studying social and environmental impacts, risks and opportunities.
Social audit costs	Impact investors need to conduct social audits to verify that businesses and projects meet social standards and criteria
Monitoring and reporting costs	The cost of tracking the impact investment process includes the cost of monitoring systems and internal reporting to assess social and environmental performance
Costs of developing, implementing and developing impact strategies	Investors should spend money on the development and implementation of impact strategies aimed at achieving specific social and environmental goals
Costs for the development of standards and methodologies	Impact investors are interested in and can contribute to the development of new standards and methodologies for assessing and measuring social and environmental impact
Costs of ensuring ethical aspects	Investors should also consider ethical aspects, such as ensuring adequate remuneration, non-discrimination, respect for human rights, etc.

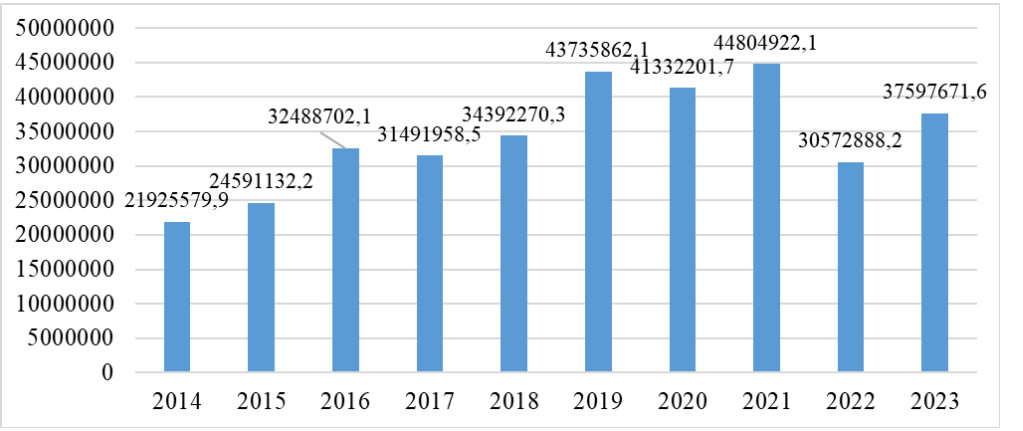

Fig. 3. Environmental protection expenditures (at current prices, thsd. UAH)

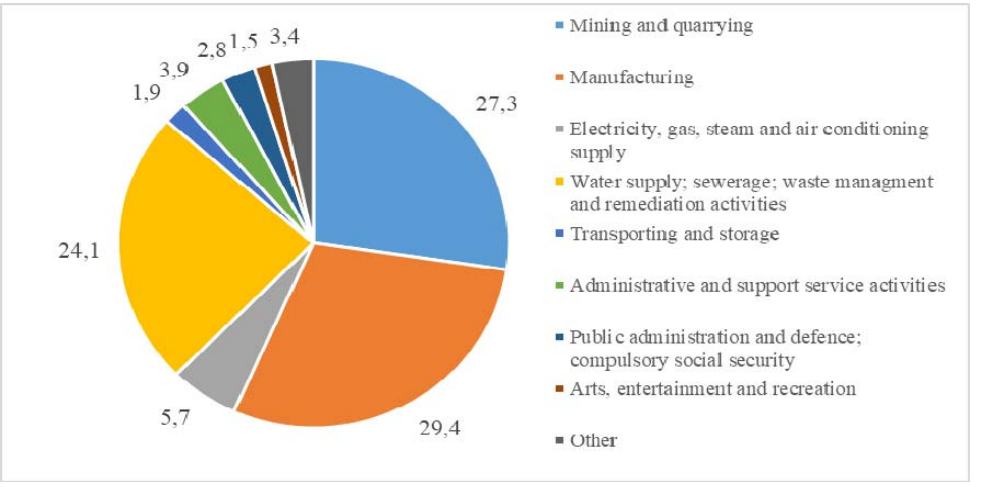

Fig. 4. The structure of environmental protection costs by types of economic activity, %

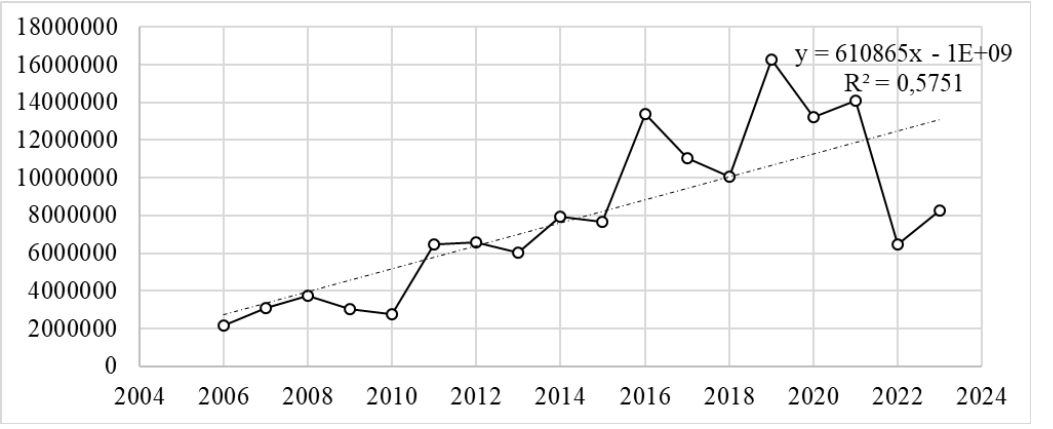

Fig. 5. Capital investments in environmental protection (at current prices, thsd. UAH)

The hostilities and shelling of industrial facilities have led to the pollution of water bodies and soil with toxic substances, in particular through the dumping of explosive remnants, oil products and chemicals. Destroyed water infrastructure facilities resulted in the discharge of 20.7 billion cubic meters of wastewater into the surface waters of Ukraine. Additionally, 724 hydraulic structures and 64 pumping stations were damaged.

Military operations have significantly exacerbated fires. In 2022, the number of forest fires increased 25-fold compared to 2021, affecting about 183,000 hectares of forest. Animals in the Chernobyl zone are endangered due to contamination and land mining, while in industrial regions like Donbas, there is catastrophic river pollution caused by destroyed sewage treatment plants and emissions from decommissioned coal mines. Additionally, a large amount of agricultural land has been damaged or contaminated by military operations and mining, jeopardizing its future use for agricultural production [23; 24].

The war caused significant damage to the natural environment, which complicates the development of environmental initiatives and requires special attention in post-war reconstruction (Table 4).

In general, post-war reconstruction can be an opportunity for environmental impact investing, which will not only help restore the environment, but also contribute to the creation of new, environmentally sustainable economic models.

Therefore, the increase in the volume of environmental costs and their share in the total expenses of enterprises/organizations, along with the projected rise in costs during post-war reconstruction, requires accurate measurement and accounting.

Table 4

Challenges and opportunities for environmental impact investing in Ukraine during the war and post-war reconstruction

Challenges	
Soil and water contamination	Hostilities have resulted in contamination of land with chemicals, heavy metals, oil products and explosives Restoration of soil fertility and purity of water sources will require large resources and time
Forest fires and destruction of biodiversity	Military operations have caused large-scale forest fires and destruction of nature reserves, resulting in the loss of biodiversity. This complicates the implementation of environmental projects and requires special programs to restore forests and reproduce species.
Changes in ecosystems due to the destruction of infrastructure	Damage to sewage systems, water intakes, hydroelectric power plants and other water management facilities can lead to the degradation of wetlands, river systems and reservoirs.
Loss of agricultural land	Mines and unexploded ordnance in agricultural fields threaten the restoration of agriculture and the development of organic farming projects.
Opportunities	
Programs to clean up and restore the environment	After the war, international programs aimed at decontaminating soil and water resources and rehabilitating ecosystems may become a powerful basis for attracting investment in environmental restoration.
Rehabilitation of nature reserves and landscapes	Investing in environmental projects aimed at restoring forests, protecting biodiversity, and implementing sustainable landscape technologies can open up new opportunities for sustainable development
Development of renewable energy and green infrastructure	Rebuilding damaged energy and transportation systems with a focus on green technologies, such as solar and wind power plants, can reduce negative environmental impacts and help create clean jobs
Agroecological projects	Investing in the restoration of agricultural land with a focus on organic farming and agroecology can help create a more sustainable food system

The results

Environmental Accounting (EA) is a method that integrates environmental costs and information into various accounting systems. It focuses on providing information related to environmental activities to stakeholders both inside and outside the organization. EA supports internal decision-making by generating environmental data that aids in pricing, overhead control, and capital expenditure planning. Additionally, it provides external stakeholders with relevant environmental information of public and financial interest [25].

Environmental costs refer to investments and expenses, both monetary and non-monetary, incurred by an enterprise or organization due to activities that impact environmental quality. These costs are associated with preventing, reducing, or avoiding negative environmental effects, as well as remediation, disaster recovery, and other related measures. In traditional management accounting systems, these costs are often not tracked or are hidden in overhead accounts, but they can represent a significant component of a firm's overall cost structure.

Separating, accounting for, and managing environmental costs distinct from overall overhead costs offer several important advantages:

- allows to understand what resources and funds are spent on environmental protection;
- facilitates the analysis and control of environmental costs;
- encourages companies to implement and maintain environmentally efficient technologies and practices;
- promotes initiatives to reduce the environmental impact of production;
- enables companies to manage effectively their environmental policies and strategies;
- contributes to the improvement of environmental performance through ongoing monitoring and cost evaluation;
- helps companies to meet legal requirements and standards for the conservation of natural resources and prevention of environmental pollution;
- creates a positive impression of the enterprise among investors, consumers and other interested parties;
- helps enterprises actively engage in the concept of sustainable development, ensuring a balance between economic activity and conservation and restoration of natural resources, etc.

Therefore, the allocation of environmental costs becomes an integral part of corporate responsibility and helps maintain a more ecologically oriented enterprise.

Environmental costs are typically divided into five categories: conventional (or direct) costs, hidden costs, contingent costs, image/relationship costs, and social costs (Figure 6) [25-27].

In the work [28], the authors proposed their own classification of environmental costs, which, in our opinion, can be recommended for practical use by domestic enterprises (Table 5). This classification of environmental costs should be the basis for the development of the Work plan of accounts and organizing analytical accounting.

If the scale of the environmental activity costs is insignificant, there is no need for a separate account for their accounting. In such cases, it is advisable to record environmental costs on separate sub-accounts of the 8th class accounts. If the expenses for environmental activities are large-scale, it is recommended

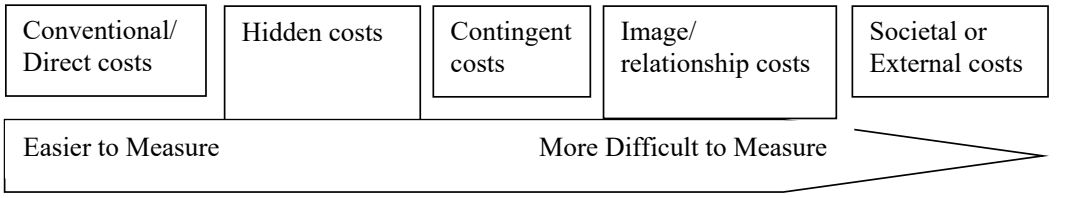

Fig. 6. The spectrum of environmental costs

Table 5

Classification of environmental costs

Classification principle	Type of environmental costs
By activity type	- operational; - investment; - financial
By nature of environmental impact	1) operational: - costs associated with the provision of natural resources; - costs associated with the restoration of natural resources; -costs of organising environmental activities; 2) environmental protection: - costs of pollution prevention; - costs of compensating for the negative effects of pollution; - costs of processing and/or utilisation of production wastes

to allocate account 841 'Other operating expenses' for their accounting in the Work plan of accounts.

In the accounting policy, it is worth discussing the issue of documenting the costs of environmental activities. Based on practical experience, we consider it expedient to propose a form of internal reporting on the accounting of environmental costs - Report on environmental costs (Table 6).

The introduction of the proposed report should simplify the procedure for summarising information on environmental costs when preparing Form 2 "Statement of Financial Performance". Since the preparation of financial statements in accordance with International Financial Reporting Standards requires the disclosure of environmental expenses, and Form 2 "Statement of Financial Performance" does not provide for them, we consider it necessary to supplement Form 2 "Statement of Financial Performance" with lines 2155 "Environmental expenses" and 2115 "Environmental income". If the environmental costs are insignificant, they should be reflected in line 2180 "Other operating expenses", and income should be reflected in line 2120 "Other operating income".

The allocation, classification and accounting of impact investment costs will

Table 6

Report on environmental costs

№	Name of indicators	Sources of funding					
		Funds of the enterprise	Funds of the founders	Funds of targeted financing	Funds of investors	…	Together
	Capital investments for environmental activities: - for repair; - introduction of new environmental facilities; - other capital costs						
	Current costs for environmental activities: - costs related to equipment operation; - creation (purchase) of fixed assets intended for processing and/or disposal; - other current expenses						
	Environmental tax: - tax liability for the reporting period; - fines						
	Total costs						

facilitate their effective use and, therefore, management. This is due to the fact that impact investments are aimed at achieving positive social or environmental impact, along with financial results.

Therefore, impact investment cost management is an important element for organisations working in the field of impact investment and involves the fulfilment of mandatory conditions:

- defining impact goals. Impact investing organisations should clearly define their social and environmental goals. This can cover a variety of areas, including poverty alleviation, improving the quality of education, energy efficiency, and others;

- assessment of costs to achieve goals. It is critically important to determine the costs associated with the implementation of impact projects. This may include the cost of internal resources, external consulting, technology solutions, advertising and other costs;

- defining the key performance indicators. Setting KPIs allows you to measure and evaluate the effectiveness of impact projects. This may include quantitative and qualitative indicators that reflect the achievement of social and environmental goals;

- development of a cost optimization strategy. Organizations must develop strategies to optimize costs, ensuring efficient use of resources and maximizing social or environmental impact within an affordable budget;

- openness and reporting. Transparency in relationships with stakeholders regarding costs and achievements is a key position. Reporting on social and environmental impacts, as well as costs, can help maintain trust and transparency in an organization's operations.

Discussion

The question of whether the costs of impact investing, in particular environmental costs, should be accounted for separately may give rise to different views depending on the context and approach to cost accounting.

The arguments against separate accounting of environmental costs are as follows:

- the difficulty of determining environmental costs. Establishing the accurate monetary values for environmental costs can be challenging. Most of the environmental impacts are difficult or impossible to quantify in monetary terms;

- the risk of losing objectivity. Integrating environmental costs into financial accounting may cause companies to become less objective in reporting on their activities. They may try to reduce environmental cost accounting in order to improve financial performance;

- potential information overload. An increase in the amount of accounting information can lead to an overload of investors and stakeholders, making the decision-making process more difficult;

- ambiguity of standards. The lack of clear international standards for accounting for environmental costs can create problems with ambiguity and comparability between companies;

- the possibility of losing competitiveness. Companies may be hesitant to implement separate accounting for environmental costs, as this may increase their costs compared to competitors who do not account for such costs;

- potential increase in accounting costs. The implementation of a system of separate accounting of environmental costs may require additional resources and costs for the management and maintenance of this system.

Conclusions

Impact investing is aimed not so much at financial gain, but at making a positive impact on society and the environment. To understand the extent of this impact, as well as the effectiveness of the investment, the costs incurred by an entity should be measured, accounted for, and reported accurately and reliably using appropriate management and accounting methods.

Impact investing costs can vary depending on specific strategies and projects. These costs include: research and evaluation; monitoring and reporting; development, implementation, and enhancement of impact strategies; as well as the development of standards and methodologies, etc.

An important component of impact investing is the environmental component. Understanding the need for environmental protection leads to an increase in the volume of environmental investments and an increase in environmental costs.

The destruction of the ecosystem due to the war in Ukraine is a significant challenge for environmental impact investing. Soil and water contamination and biodiversity loss complicate recovery, but also open up opportunities for investment in environmental decontamination projects, restoration of nature reserves, and green energy development. Post-war reconstruction creates a unique opportunity for sustainable development, where investors can help restore ecosystems and introduce new ecological economic models.

Environmental costs are investments and costs, both monetary and non-monetary, incurred by an enterprise or organization as a result of activities that affect the quality of the environment.

Although environmental costs can constitute a significant component of a firm's overall cost structure, they are often not tracked or are hidden within overhead accounts in traditional management accounting systems. Separating and accounting for environmental costs should be an integral part of corporate responsibility, helping to maintain a more environmentally conscious enterpris.

The classification of environmental costs by type of activity and nature of environmental impact is recommended for practical use as a basis for developing the Working Plan of Accounts and organizing their analytical accounting. It is also proposed to introduce a form of internal reporting on the accounting of environmental costs - Report on environmental costs.

The allocation, classification and accounting of impact investment costs will contribute to their effective use and, therefore, management. Impact investment cost management consists in defining impact goals; assessment of costs for achieving these goals; determination of key performance indicators; development of a cost optimization strategy; openness and reporting.

Therefore, cost management in impact investing helps to ensure efficient use of resources to achieve positive impact, which is a key factor for a successful impact investing strategy.

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IMPACT INVESTING: ACCOUNTING AND COST MANAGEMENT FEATURES

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The research examines the concept of impact investments, outlining its main characteristics and features, and defining the criteria by which investments can be classified as impact investments. The key elements of impact investing are purposefulness, measurability, and additionality. The causes and trends in the global impact investing market are identified. It is established that impact investing offers significant opportunities for investors, such as achieving positive social impact, balancing risk and return, and enhancing reputation, among others.

The need to measure and report costs and results using appropriate metrics is justified to understand the degree of impact, as well as the effectiveness of the portfolio and individual investments. Since the assessment of impact investing efficiency includes determining both social and environmental impact and financial indicators, several methods that can be adapted to evaluate the efficiency of impact investing are proposed. It is demonstrated that impact investing can incur costs in various aspects, which may vary depending on specific strategies and projects.

The main figures related to investments in environmental protection are considered. The catastrophic impact of military actions on Ukraine's ecosystem is established, and the key challenges and opportunities for environmental impact investing in Ukraine during the war and post-war recovery are identified.

It is concluded that the growing recognition of the need for environmental protection leads to an increase in environmental investments and costs, highlighting the importance of environmental accounting.

The work examines existing classifications of environmental costs and identifies a classification that can serve as the basis for developing the Working Plan of Accounts and organizing their analytical accounting. It is also proposed to introduce an internal reporting form for environmental costs – the Environmental Cost Report. The introduction of this report should simplify the process of summarizing information on environmental costs when preparing Form 2, 'Statement of Financial Results'.

The authors consider the main arguments against separate accounting of environmental costs, which should be taken into account when deciding whether such accounting is necessary.

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