On Information Disclosure of Enterprise Environmental Accounting in China

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Abstract. China is facing severe environmental problems nowadays which are closely related to the development of enterprises. As public’s awareness of environmental protection continuously enhances, China starts to require companies to disclose environmental accounting information, not only allowing more fully assess the comprehensive benefits and risks of enterprises but also laying fundamental foundation for how to coordinate the relationship between economic development and environmental protection. However, the disclosure starts late and develops sluggishly of domestic environmental accounting and environmental information. Therefore, the paper has important and practical significance to perfect and develop the information disclosure of enterprise environmental accounting and accelerate economic sustainable development as well as protect the environment. This paper analyzes the present situation and existing problems of information disclosure of domestic enterprise environmental accounting and puts forward some countermeasures and suggestions by drawing lessons from environmental information disclosure in developed countries.

1. Introduction

At present, the environmental problem has become a prominent problem in China and even the world. Human’s wanton plundering of the environment has seriously impeded the economic sustainable development. Enterprises are an important factor leading to environmental pollution as well as the leading force in controlling environmental pollution. China’s rapid development of the national economy has also brought severe environmental pollution and ecological problems. Environmental accounting, also known as green accounting, is based on relevant laws and regulations to be reasonably included in the management of finance and accounting of enterprises through tools like monetary base to measure and record related income and expenditure on environmental pollution, environmental control and environmental protection. In addition, rational assessment and reports are formed on cost input and successive effectiveness to develop a more complete enterprise accounting system which is an emerging subject taking into account the relationship between environmental performance and business operation results. It attempts to extend the accounting and environmental economics and establish a new concept of green in order to achieve the purpose of coordinating economic development and protecting the environment, and thus ultimately obtain comparatively higher total social returns from the macro level.

2. Status Analysis of Information Disclosure of Enterprise Environmental Accounting

2.1 Research of present situation at home

Not until the 90s of last century that China introduced theories in environmental accounting, and then through gradual practice, it starts its slow development. In recent years, the public’s voice on the information disclosure of enterprise environmental accounting has been enhanced. Some experts and scholars in China have conducted researches on environmental information disclosure and put forward many constructive opinions on pollution control and governance, environmental information disclosure and other issues. What’s more, departments of Chinese government and
some industry organizations have also began a positive exploration for the construction of institution and system in domestic environmental accounting information disclosure. But in view of the historical and practical limitations, environmental accounting in theory and practice in China leaves many problems to be solved [1].

2.2 Research of present situation abroad

At present, the United States and many other developed countries have included the environmental accounting into the national accounting system, and there are relatively sound systems and regulations to regulate environmental accounting. As a consequence, environmental issues can be effectively disclosed by take full consideration of environmental costs and benefits. Many developed countries are walking in the forefront of the world whether on theoretical or practical level. Governments throughout the world play a prominent role in environmental accounting development. Due to the inherent contrast between cost and effectiveness, the implementation of environmental information disclosure would be tough if there is no correct guidance or established laws and regulations of the government to put restraint on enterprises.

Starting from the United States, it develops vigorously on the information disclosure of environmental accounting. American Government not only promulgated the relevant environmental laws and regulations to constrain enterprises, but also accelerated the construction of environmental accounting system. Apart from that, it approved accounting and audit criteria from the industry standards which gave comprehensive and detailed exposition of the requirements of corporate environmental protection and clear corporate responsibility. Secondly, Canada has obtained extraordinary performance in environmental accounting. The “Environmental Performance Report” it published analyzed the elements that enterprise should consider on information disclosure of environmental accounting and how to list or disclose related elements in environmental accounting report. What’s more, it provided a strong theoretical support for the formulation of laws and regulations of international environmental accounting. The Japanese government set up a number of environmental accounting laws and regulations and a series of instructive documents to actively promote the construction of environmental accounting system. Japan has invested lots of manpower, financial and material resources on environmental protection, and also introduced the service system of environmental accounting to offer assistance for enterprises.

3. Analysis on the Present Situation and Existing Problems of Information Disclosure of Enterprise Environmental Accounting

3.1 Low proportion of enterprises conduct information disclosing of environmental accounting

Currently, China expresses requirements of environmental information disclosure only in listed companies. However, their performances are unsatisfactory seeing just from listed companies. The survey shows that the proportion of information disclosure of environmental accounting in domestic listed companies much lower than the world average level. There are more than 50% companies in North America, Europe and Australia has compiled environmental reports. Therefore, compared with European and the American countries, domestic enterprises conduct environmental information disclosure take a comparatively smaller part.

3.2 Prior in mandatory information disclosure of environmental accounting

A survey on the cause of enterprise environmental report shows that enterprises compile environmental reports mainly due to the mandatory requirements of government regulatory agencies. Chinese relevant laws and regulations specify that enterprises should regularly provide the local environmental protection administration with emissions, treatment and utilization of “three wastes” (waste gas, waste water, industrial residue) and environmental audit report in the aspects of pollutant detection and treatment. It seems that the current environmental information disclosure in China is mainly mandatory rather than voluntary and initiative [2].
3.3 Government authorities, the main users of enterprise environmental accounting information

The survey data show that the main users of environmental accounting information are the government authorities, followed by investors, financial institutions, consumers, news media, employees, financial analysts and other social groups. It can be seen that the current environmental accounting information disclosed by enterprises in China mainly serve for the national macro-environmental management and pollution abatement which is easy to ignore the information needs of other users, resulting in the incomplete disclosure of environmental accounting information.

3.4 Insufficient clarity and comprehensiveness of environmental accounting information disclosure

According to the investigation, the majority of enterprises in China only separately charge for sewage, while charge for the proportion of lower than 50% for other expenditures on environment. It is also unsatisfactory that most of the information disclosed by the enterprise is easy to obtain but seldom disclose hidden costs.

3.5 Diversity but comparability lacked of environmental accounting information disclosure

There are mainly five types of disclosure methods of environmental information in Chinese enterprises: included in annual report; recorded in internal work conference material; reported separately; included in the notes to the accounting statements; included in the report of the board of directors. Enterprises’ disclosure methods of environmental accounting information are different. Also, there is no disclosure method taking absolute advantage. In consequence, no comparability exists between disclose of different companies.

4. Countermeasures and Suggestions to Improve Environmental Accounting Information Disclosure in Domestic Enterprises

4.1 Establish and improve the relevant laws and regulations by government

China should perfect the current laws and system of environment and accounting to include the environmental accounting into existing accounting laws. And then the environmental accounting information disclosure have laws to abide by from the legal provisions to specifically define the environmental accounting elements, pollution discharge standards, target-hitting standards, recovery standards, energy consumption standards and etc. At the same time, a sound environmental audit system should be establish as well as requires the relevant state departments and the Accounting Standards Committee to amend the corresponding environmental accounting standards as soon as possible so that enterprise environmental accounting and environmental accounting information disclosure have a unified standard to enhance the unity and operability of practice [3]. Furthermore, what government and enterprise have done must be publicized to the public and accept their supervision in order to improve the reliability of environmental accounting information disclosure.

4.2 Strengthen supervision on environmental accounting information disclosure by relevant departments

The government finance department, the environmental protection department and the securities department shall unite with the intermediary organs to audit the environmental accounting information and environmental performance information disclosed by the enterprise. The government may also set up an enterprise environmental reporting database to publicize the data for public’s easy access to the information users which can not only intensify the government’s management and control capacity, enhance its credibility and reduce environmental pollution, but also enhance the enterprise and public awareness of environmental protection, promoting harmonious and sustainable development of economy and society. On the other hand, since the public is also a direct stakeholder of environmental information, it is essential to give full play to
the advantages of public supervision. Therefore, the government is incumbent on correctly guiding the public to establish a social supervision network, improve the supervision mechanism and establish a good channel for information feedback, thus fully displaying the role of social supervision to improve the supervision system of environmental accounting.

4.3 Learn from the developed countries to enrich domestic environmental accounting theory and practice

As the object of environmental accounting is complicated, especially in the measurement of environmental factors, the accounting profession should strive for breaking through the theoretical difficulties and overcoming the bottleneck in the development of environmental accounting information disclosure. There is no doubt that environmental accounting is not a simple accounting theory. So theorists should also profoundly study the practice and research of environmental accounting in developed countries, absorbing research results in the America, Japan, Europe and other countries and learning their practical experience and lessons to better develop environmental accounting practice research so as to dig out a practical accounting system and disclosure model for the development of China’s environmental accounting [4].

4.4 Strengthen the management of enterprise environmental accounting and environmental information to pass the environmental management international standards series certification

Through the establishment of management system of environmental accounting and environmental information, the environmental protection measures will be uniformly integrated and managed to provide a reliable standard for environmental accounting information disclosure and propose an effective program for enterprise environmental protection actions. In addition, it is vital to encourage enterprises to pass serial certifications and implement environmental responsibilities of enterprises, helping to enhance its image and competitiveness.

4.5 Cultivate compound talents for environmental accounting

Environmental accounting proposes new demands for financial personnel, so it is necessary to strengthen the education of financial personnel and learn new guidelines and accounting methods. What’s more, non-financial professional knowledge such as environmental science should be paid attention to as well; otherwise it will inevitably restrict the implementation of environmental accounting and development of accounting information disclosure. As a result, in order to speed up the development of environmental accounting information disclosure, the cultivation of compound financial personnel is indispensable.

Conclusions

In conclusion, the disclosure of environmental accounting information is the outcome of adapting to the needs of society and the development of the times. We should be accountable to understand and draw lessons from foreign environmental accounting theory and practice, and then combined with our national conditions to explore a suitable mode of environmental accounting information disclosure for China. Through the continuous improvement of enterprise environmental accounting information disclosure theory and practice, the relationship between enterprise development and environmental protection can be well handled which can realize the benign circle of loss and compensation of environmental resources, thus achieving the coordination and integration of economic benefit, environmental benefit and social benefit to achieve the goal of economic sustainable development of China.

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