Research on Sustainable Development of Enterprises and Environmental Accounting

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Abstract. The sustainable development of enterprises is part of national implementation of the sustainable development strategy, on the premise of which, the research on environmental accounting theories becomes important and meaningful in both theory and practice. This paper analyzes the relationship between the sustainable development of enterprises and environmental accounting research and demonstrates the influences of the sustainable development theory on targets, the party interested and fundamental theories of environmental accounting.

Introduction

The substance of enterprises’ implementation of sustainable development lies in that enterprises have to deal with the relationship among economic benefits and resources and environmental benefits. The environmental accounting is useful for enterprises to deal with the relationship, being an important means to implement the sustainable development strategy. Sustainable development of enterprises is also beneficial to environmental accounting research and its application in practice. Implementation of the sustainable development strategy requests enterprises pursue profit maximization without polluting the environment, destroying the ecology and using up resources so as to realize the long and benign growth. Implementing the environmental accounting is to achieve internalization of the environmental cost which might be added to the society, stop the short-term conduction and promote the reasonable consumption of resources. Implementing the sustainable development strategy is consistent with developing environmental accounting, both of which will urge enterprises to fulfill responsibilities on circumstances, adopt cleaner and more effective techniques during the production and operating process and reduce consumption of energies and other natural resources as possible as they can.

The Relationship between Environmental Accounting and Sustainable Development of Enterprises

The main motive of implementing the sustainable development is that environmental problems generated by productions and operating activities will endanger the existence and growth of enterprises and the development of enterprises themselves should conform to the environmental capacity. Sustainable development allows enterprises to pay attention to both current and follow-up development, both economic and environmental interests and both short-term and long-term profits. To implement the strategy, environmental administration should be included into the traditional enterprise administrative system which makes it convenient for enterprises to take into consideration the efficient utilization of resources and profits in each section of production and operating activities so as to realize sustainable development. Those detailed work of environmental administration all ask for the necessary environmental accounting information being the foundation and assurance. Environmental accounting will provide enterprises with comprehensive and objective information for environmental administration and be beneficial for them to implement the sustainable development strategy, therefore, establishing environmental accounting is an important means for enterprises to implement the sustainable development strategy.
Sustainable Development of Enterprises and the Party Interested

The most important function of accounting is to provide accounting information for the party interested who include not only stake-holders and creditors but suppliers, environmental protection institutions, insurance companies, tax organs, news media, environmental pressure group and social media. With the implementation of the sustainable development strategy, the financial conditions and business performances reflected by the accounting information disclosed public are more real and satisfy the demands of the party interested on accounting information. The enterprise administrative authority both needs and provides the environmental accounting information which is the basis for enterprises to take measures and make schemes. The implementation of sustainable development will ask for a larger demand for accounting information from both the enterprise administrative authorities and the party interested outside and therefore advance its development. For the government, it is good for green GDP calculations and for investors, tax authorities, suppliers, the media, the public, and others, they can ensure their confidence in enterprises and offer their support.

Sustainable Development of Enterprises and Objectives of Environmental Accounting

Since the theory of sustainable development is put forward, enterprises start its implementation. The business objectives are converted into considering economic, environmental and social benefits from maximization of stakeholder values with pure consideration of stakeholders’ economic profits. WBCSD put forward the concept of ecological economy profits in the Conference of World Environmental Development in 1992, which is regarded as the detailed presentation of the sustainable business. OECD addressed that economic-ecological benefits means ecological resources meeting human demands. Economic-ecological benefits maybe a ratio of output divided by input, among which output refers to values of products and services of a company, department or all economic institutions while input refers to the total environmental pressures generated by them. Economic-ecological benefits being the primary objective of environmental accounting is not only helpful to boost the realization of sustainable development but also its first step.

Sustainable Development of Enterprises and Hypothesis of Environmental Accounting

Accounting Entity Assumption

Our country’s Enterprise Accounting Discipline points out that accounting should take every economic business of enterprises as the object, record and reflect all production and other operational activities. Accounting entity assumption makes sure the range of accounting. On the basis of economic activities of the enterprise, accounting records and reports make it possible for owners, creditors, administrative authority of enterprises and other users of the accounting information to acquire useful information and make correct policies. The separation of ownership from operating right in modern enterprises makes the accounting entity shoulder accountability which expands and becomes the environmental responsibilities that entities have to undertake on environmental resources as for environmental accounting under the influence of the sustainable development theory.

Going Concern Hypothesis

Going concern hypothesis refers that enterprises will be operated according to present forms and targeted goals. Our country’s Enterprise Accounting Discipline points out that accounting should be made on the premises of constant and normal production and operating activities. In reality, most companies can keep constant operations and few go bankrupt and are liquidated. Only with the going concern hypothesis can the entry value of assets and liabilities be confirmed and profits be correctly divided by accrual basis. Environmental accounting also involves the confirmation of entry value of assets and liabilities and correct division of profits and others. If there is no going concern hypothesis, there will be no theories, programs and methods of environmental accounting, which is also hard to be promoted in practice.
Time-Period Assumption

Time-period assumption refers that enterprises artificially divide constant operating activities into several phases, each one being an accounting period. The purpose of accounting is to provide information needed for decision-making. With the going concern hypothesis, the operational performances of enterprises are neither to be confirmed and nor do the party-interested obtain needed accounting information. Environmental accounting is aimed to realize the sustainable development of enterprises which means pursuing economic profits and ecological benefits at the same time. Therefore, periodical assessment of economic profits and ecological benefits of enterprises makes it easier for the party interested to acquire accounting information related with economic profits and environmental performances, which asks for the time-period assumption in environmental accounting.

Multi-measurement Assumption

One of the main objects of environmental accounting is influences on environment from enterprises, some of which could be measured by money but some not because they have to comprehensively reflect enterprises as possible as they can. As a result, multi-measurement pattern is needed including both the monetary measurement form and non-monetary measurement forms such as physical measure, labor measure and mixed measure. Application of monetary measurement form will result in some financial index while that of non-monetary measurement forms will result in physical index, labor index, technological index and economic index of technology. And some new measurement attributes including opportunity cost and alternative cost are usable when non-monetary measurement form is adopted.

Resources Scarcity Assumption

Generally, the production and other operating activities of enterprises depend on consumption of resources. As to traditional accounting, there is no limit to use resources, but resources will be used up and won’t be inexhaustible. As a result, implementation of the sustainable development strategy requests that the enterprise should not develop beyond the capacity of natural resources. With the development of science and technology, the demand of production and other operative activities for natural resources is continuously increasing along with the growth of production in modern enterprises. For environmental accounting, the accounting of natural resources are mainly focused on environmental assets. On the premises of resources scarcity assumption, different measure models are adopted to renewable and non-renewable resources respectively and values of non-renewable resources are higher than those of renewable resources in principle.

Sustainable Development of Enterprises and Principles of Environmental Accounting

The Principle of Environmental Protection

The production and operating activities of enterprises will inevitably consume resources and produce physical waste and energy waste. Developing production and operating activities is to pursue the maximization of profits. According to traditional economic growth mode, enterprises will overuse resources, destroy ecological balances and seriously pollute environment for high profits. However, this way of development is short-sighted and unsustainable. The implementation of sustainable development inevitably requests enterprises pursue both the economic profits and environmental benefits. The environmental protection principle of environmental accounting requests enterprises to make repetitive and circulatory use of resources and control environmental pollution so as to realize long-term and sustainable development on the basis of renewable resources. Environmental accounting must abide by the principle of environmental protection in terms of information disclosure and participating environmental management.

The Internalization Principle of External Effect

Driven by the profits motive, business operators generally won’t deal with the waste generated
during the production and operation process because it will increase the operation cost. Direct discharge of wastes into the environment without dealing with them beforehand reduces the cost of the enterprise but increases the social cost. The implementation of sustainable development strategy will urge the enterprise to perform internalization of external effects and internalization of external diseconomy helps business operators make reasonable and effective use of resources and tend to adopt the scheme with less external diseconomy phenomena. It is due to the reduction of waste and environmental pollution that it is possible for enterprises to realize sustainable development with consistent supply of resources and environments. Environmental accounting being an important means to realize sustainable development, enterprises should adhere to the internalization principle of external effects, which reflects not only economic profits but environmental benefits and realize benign and sustainable development at last.

The Principle of Combining Compulsion with Voluntariness

Implementation of sustainable development depends on the content reflected by environmental accounting information to a certain degree and environment-friendly enterprises are generally willing to disclose the information of environmental accounting. As people’s consciousness of environmental protection strengthens, they prefer on “Green products” and “green enterprise”, and the government pays more attention to environmental problems. Therefore, if information of environmental accounting is revealed, it will be easier for these environment-friendly enterprises to set an image of environmental protection and for their products to achieve the favor of consumers. It is the opposite with the non-environment-friendly enterprises. On the other hand, disclosure of environmental accounting information will increase the cost, but enterprises should be encouraged to disclose the environmental accounting information in order to realize sustainable development. The state should lay down the unified disclosure principles and force enterprises to disclose basic environmental accounting information, and in the meantime, each enterprise makes voluntary disclosure of more detailed and comprehensive environmental accounting information according to their own actual situations on the basis of the principle.

Sustainable Development of Enterprises and Confirmation of Environmental Accounting

Confirmation of environmental accounting refers to a series of work that accounting personnel make sure which economic business will be included into the information system of environmental accounting at what time and in what way on the basis of certain standards and according to the features of environmental accounting work. Confirmation is the foundation for measurement and reporting of environmental accounting. As to the criteria by environmental accounting confirmation, there are not detailed accounting principles or systems in our country at present. The criteria of environmental accounting confirmation should first conform to environmental accounting targets which is to seek the economic-ecological profits required by the sustainable development strategy. Secondly, confirmation of environmental accounting should accord with its assumptions and principles. The criteria on which environmental accounting confirmation are based is different from traditional accounting because views of sustainable development are all embodied in targets, assumption and principles environmental accounting. Objects of environmental accounting confirmation consists of two parts: one is business and matters reflecting economic profits of accounting entities and the other is those reflecting environmental benefits of accounting entities.

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