

# The Impact of Sustainable Disclosure on Accounting Management

Xinjie Gao

University of Melbourne, Victoria 3010, Australia

tracy980316@qq.com

**Keywords:** sustainable disclosure; Accounting management; enterprise

**Abstract:** The accounting information disclosure system of enterprises is bound to be further upgraded from the previous accounting information disclosure mode oriented by economic interests to the environmental accounting disclosure mode including corporate environmental responsibility and low-carbon transformation responsibility. Therefore, under the economic conditions of the new era, how to adjust and upgrade the accounting information disclosure mode of enterprises so as to form a set of scientific and effective environmental accounting information disclosure mode is an important problem that enterprises must solve in the future.

## 1. Reasons for disclosure of accounting information in enterprises

### 1.1 Voluntary disclosure

In order to gain greater benefits for the company itself, the company sometimes voluntarily discloses more information. "For example, when a company's stock is undervalued, they want to convey more information to investors, so that investors can think that the company is worth investing, thus obtaining more financing. Voluntary disclosure of more accounting information can also effectively prevent the company from being merged, and often choose to disclose more information beneficial to the company." [1]

### 1.2 Compulsory disclosure-information asymmetry

The forced disclosure of companies is largely due to the widespread information asymmetry in the capital market.

(1) Information asymmetry between management authorities and investors: Generally speaking, management authorities who make decisions often have more information than investors. If they use this information for insider trading, a large number of investors will be at a disadvantage and the order of the securities market will be disturbed.

(2) Information asymmetry among investors: Different investors have different amounts of information, and investors with more information will actively trade with investors with less information, so as to obtain excess profits.

(3) Information asymmetry between the debtor and the creditor: the information disclosed by the debtor to the creditor is often information beneficial to the company's operating conditions, so as to obtain more financing. There will be such a phenomenon: the occurrence of debt cost is directly related to whether the accounting disclosure of enterprises is illegal or not, and its amount is closely related to the importance level of the illegal items. "From the auditing point of view, the lower the importance level, the more evidence is needed to prove its correctness. "[2] Similarly, the lower the importance level of the items to be concealed in the audit department's evaluation, that is, the smaller the range of acceptable errors, the more hidden costs will be borne. When enterprises make various decisions, considering hidden costs can have a good constraint on their own behavior. Face up to the contingent cost TUC and its probability  $p$ . Contingent cost is not only related to whether the accounting disclosure is illegal, but also related to the probability of the illegal behavior being exposed, which is closely related to China's accounting supervision mechanism. At present, many scholars have proposed to strengthen the supervision of market information and establish a visual long-term mechanism. In particular, it is necessary to strictly supervise listed companies, put an end

to financial fraud and maintain market order. “It can be said that government departments are greatly increasing P value, while managers in enterprises either choose to reduce or even ignore P value, or reduce P value by other means, thus increasing other expenses.”[3] Improve the legal awareness of managers and effectively implement the internal supervision mechanism of enterprises. Managers should fulfill their duties and discipline themselves strictly according to laws and regulations, and internal auditors should give full play to their own functions, supervise the behavior of enterprises and warn the consequences of violations. Based on the cost management model, paying attention to the cost of accounting information disclosure, establishing and effectively implementing the internal supervision mechanism of enterprises can standardize the objective environment of enterprises and the subjective consciousness of managers, and establish self-discipline consciousness, so as to achieve self-restraint of enterprise behavior and reduce the occurrence of accounting disclosure violations.

## **2. Corporate social responsibility accounting information needs**

External Information Users and Their Information Demands The information demands of corporate social responsibility accounting mainly include government departments, consumers, potential investors, product sellers and suppliers, etc.

### **2.1 Government departments**

Government departments mainly refer to government environmental protection departments, government policy-making departments, resource management departments and social welfare institutions. “The government is the main department for making relevant policies and implementing laws, and the main user of corporate social responsibility accounting information.[4] “The policies and systems on corporate social responsibility formulated by the government need to be based on a full understanding of corporate social responsibility accounting information. For example, in order to protect the environment, the environmental protection department needs to know the information about the amount of sewage discharged by enterprises, the recycling and treatment of wastes, and the enterprises' participation in social environmental governance, etc., in order to ensure that the policies formulated by them conform to the actual situation of the society when formulating environmental protection policies and laws and regulations. In order to have a clear understanding of China's mineral resources, formulate scientific resource exploitation plans and realize the sustainable development of China's resources, resource management departments need to know and master the information of China's mineral resources, groundwater, atmosphere and other natural resources.

### **2.2 Consumers**

All products and services of an enterprise are aimed at market-oriented transactions, so consumers have a great demand for corporate social responsibility accounting information.” The reason why consumers choose products or services provided by enterprises is that their quality and safety are guaranteed, such as food safety hazards, quality problems of household appliances, toxic gas content of decoration, etc., which will all affect consumers' purchasing power. “[5]Through the accounting information of consumer social responsibility, we can know the credibility of enterprises in the society, so as to judge whether the products of enterprises meet the safety requirements.

### **2.3 Potential investors**

Social responsibility is playing a more and more important role in every field of society. At present, social responsibility has been introduced into financial activities in China from beginning to end. For example, after the credit business of investors in the real economy, banks will become the main channel for investors to obtain funds. Therefore, banks are very important for investors' support. Before banks lend to investors, banks need to conduct a comprehensive financial analysis of investors for the sake of credit risk control, especially paying attention to the financial risks caused by investors' social responsibility. For example, when investors engage in high-pollution

industries, banks will consider that their social damage can lead to social punishment of investors' investment behavior, and eventually lead to investment failure. Therefore, at present, financial institutions judge investors mainly according to their social responsibilities.

## **2.4 Product suppliers and distributors**

When suppliers choose enterprises, their first consideration is that enterprises should have good social responsibility, because enterprises with good social responsibility won't face the punishment of government departments because of social problems, and the loans can't be recovered in time. Meanwhile, enterprises with good social responsibility will have good credibility. When choosing to sell products, dealers will also consider whether the products will affect the social environment after use, whether the after-sales service of enterprises has a good performance in terms of social responsibility, and whether the products meet the national environmental protection regulations.[6]

## **3. Internal information users and information needs**

### **3.1 Enterprise managers**

Enterprise managers are also important users of corporate social responsibility accounting information, and they need more and more specific social responsibility accounting information. Enterprise managers can use social responsibility accounting information as financial budget preparation and social responsibility budget, and they also need social responsibility accounting information to help enterprises implement it in all aspects of economic management and social management. As an integral part of the society, enterprises are bound by the social system, and at the same time, they must fulfill some social obligations with enterprises. Therefore, enterprises need to make corresponding contributions to the society in order to achieve their development goals. In order to provide external information providers with the fulfillment of corporate social responsibility and assess their contribution to the society, managers need to reflect the economic efficiency and social efficiency brought about by expenditures and investments related to social responsibility.

### **3.2 Information needs of employees in enterprises**

Employees are located in the front line of enterprise production, and they can directly feel the harm brought by enterprises in polluting the environment and the benefits brought by enterprises in strengthening environmental protection. Therefore, employees need to know what measures have been taken by enterprises in environmental governance and the results achieved in environmental governance. Because employees' demand for corporate social responsibility information is related to their vital interests, for example, if an enterprise fails to do its due diligence in social responsibility and its production causes damage to the surrounding environment, employees will become the direct victims of the consequences of corporate social responsibility. Therefore, employees' understanding of corporate social responsibility accounting information is helpful for them to evaluate their own value, analyze their career prospects, and make scientific career planning and adjustment based on this. To some extent, employees are creditors of enterprises, and they need to know the accounting information of corporate social responsibility.

## **4. Restrictive factors of information disclosure**

Although China's accounting field has made good achievements in the research of corporate social responsibility accounting, as a branch of accounting field, its research object, research content and information users' needs are quite different from those of traditional accounting. Therefore, to build a perfect corporate responsibility accounting information system, we should have a correct understanding of corporate responsibility accounting information.

#### **4.1 The accounting confirmation and measurement of corporate social responsibility has not been solved**

The basis of accounting information disclosure is to have perfect accounting information and materials, and the perfection and scientific formulation of accounting information need to solve technical problems such as accounting confirmation, measurement and recording. There is not much change in the recording method of corporate accounting responsibility information, and double-entry bookkeeping can be adopted. However, there is no clear method to solve the problem of measurement and confirmation of corporate social responsibility accounting. This is mainly because the content of corporate social responsibility meeting is different, that is, the content of corporate social responsibility is also different for enterprises in the same industry. Therefore, there is no clear regulation on which behaviors belong to social responsibility projects and which economic activities should not be included in social responsibility projects. At the same time, social responsibility accounting is still vague in the choice of measurement methods, and there are no practical measures in the construction of index system.

#### **4.2 The legal system of social responsibility accounting is not perfect**

The ideal purpose of social responsibility accounting is to match the cost of corporate social responsibility with its social responsibility income. However, the analysis of many corporate responsibility accounting shows that the cost of corporate social responsibility is greater than the income of corporate social responsibility, and it is difficult to achieve a balance between corporate social responsibility expenditure and income in the near future. Therefore, in the face of the conflict between local interests of enterprises and social responsibility interests, relevant laws and regulations are needed to regulate, so as to restrain the occurrence of enterprises' responsible behaviors that harm social welfare for local interests.

#### **4.3 Corporate social responsibility awareness is generally not high**

The implementation of corporate social responsibility is not only for the management of enterprises, but also depends on the unilateral decision of enterprise managers. It is related to the common interests of all employees, because social responsibility is closely related to the basic rights of employees. If enterprises do not strictly implement social responsibility, it will ultimately damage the basic rights and interests of employees. Therefore, the implementation of corporate social responsibility requires the close cooperation of employees. The corporate social responsibility without employees' cooperation can't be implemented smoothly, so we can say that the corporate social responsibility consciousness is an overall embodiment of the corporate social responsibility consciousness of all employees.

### **5. Choice of information disclosure mode**

#### **5.1 Disclosure of accounting behavior of enterprises**

The purpose of the implementation of corporate social responsibility accounting requires a more comprehensive disclosure of corporate social responsibility information. Corporate social responsibility accounting is to encourage enterprises to undertake corresponding social responsibilities through certain economic consumption activities, so as to realize the intrinsic motivation of enterprises to undertake social responsibilities, and fundamentally promote enterprises to reduce social problems caused by their own behaviors. The social impact of enterprise behavior mainly includes: social contribution and social cost. Therefore, accounting information disclosure should reflect these contents, and only in this way can we correctly evaluate the social impact of corporate behavior. If enterprises only disclose their social contributions in accounting information disclosure, such as the funds invested by enterprises in environmental protection, the contributions made to improving the working environment of employees, etc., the society can't know the overall situation of fulfilling social responsibility according to the accounting information disclosure of enterprises, and the social responsibility factors of enterprises will not be considered

when choosing enterprises, which is not conducive to the positive position of enterprises in fulfilling social responsibility, and will eventually lose the inevitable role of social responsibility accounting information disclosure.

## 5.2 To strengthen information use and accounting supervision

Corporate social responsibility consciousness decides that some key contents should be compulsory disclosed. Because the economic development degree of different regions is different, the economic strength among enterprises is also different, and the social responsibility consciousness among enterprises also has obvious gaps. For example, some large enterprises are actively maintaining and establishing a perfect image while expanding their markets because of their strong economic strength, so their social responsibility consciousness is relatively strong; However, some small enterprises, because they focus on the economic development of enterprises, have no real power or motivation to implement and undertake more social responsibilities. Therefore, if the disclosure of social responsibility accounting information is voluntary, it will form that every enterprise will focus on the disclosure of information that contributes to the society, but seldom disclose the social cost or social damage. This kind of accounting information disclosure is unfair to the socially responsible enterprises, which will dampen the enthusiasm of enterprises to fulfill their social responsibilities. Therefore, in the accounting disclosure of corporate social responsibility, it is necessary to impose mandatory disclosure constraints on the cost disclosure of corporate social responsibility, so that enterprises can assume more responsibilities in social responsibility and realize the development of national economy to intensive mode.

Table 1 The accounting information disclosure of enterprises and the influence of their assets

	project	Accounting content
balance sheet	Carbon credit	Confirm assets or liabilities according to the carbon emissions allocated by the state and the estimated enterprise per-emissions, including allocation, emission reduction of fixed assets and emission reduction of new energy.
	Changes in public value of carbon assets	According to the market situation, it is measured by the public value at the end of the period, and the change of public value is included in the current profit and loss.
profit statement	Management cost	Cost of emission reduction in products, cost of internal carbon management
	Cost of sales	The cost of dealing with environmental changes
	Operating income; non-business expenditure	Pay the fines imposed by corporate environmental protection agencies on excess or illegal carbon emissions, decentralize and subsidize the non-operating expenses of carbon emissions, and sell the proceeds of carbon emission rights.
cash flow statements	Operating activities	Payment of fines
	investment	Cash for processing emission payments

## 5.3 Corporate social responsibility consciousness

In order to strengthen the use of information and accounting supervision, standardized disclosure contents and modes should be adopted. If there are differences in content and methods of disclosure in the disclosure of social responsibility accounting information by enterprises, it is impossible for the society to check which enterprises have done better by comparing the information of social responsibility accounting; Similarly, if an enterprise adopts different forms in accounting disclosure

mode, it will increase the difficulty of accounting supervision, and make the accounting supervision department need to invest more energy in analyzing the accounting disclosure information of the enterprise. For example, after the accounting supervision department summarizes the working experience of one enterprise's accounting disclosure mode, the accounting supervision department has to re-summarize the experience because of the different accounting information disclosure mode of another enterprise. Therefore, during the implementation of corporate social responsibility accounting, it is necessary to standardize the content and mode of disclosure, so as to restrict the disclosure behavior of corporate social responsibility accounting and realize the development of corporate social responsibility accounting information disclosure. The role of social responsibility accounting in enterprise development and social progress is self-evident, so it is an inevitable trend of accounting development in China to establish a perfect disclosure system of social responsibility accounting. In view of the imperfect disclosure mode of social responsibility accounting in China, enterprise managers should raise their awareness of social responsibility accounting, and government departments should promote the perfection of social responsibility accounting system through public power.

## References

- [1] Feng Yue. Research on Quality of Sustainable Development [J]. Cooperative Economy and Science and Technology, 2020 (5): 130-131.
- [2] Liu Aidong, Wan Fang. Research on the Impact of Corporate Governance on the Quality of Management Accounting Information Disclosure [J]. Friends of Accounting, 2016 (09): 47-50.
- [3] Xi Danyang, Gao Fan. Discussion on moderate disclosure of Management Accounting Information of Listed Companies in China [J]. Youth, 2016 (1): 442.
- [4] Bi Jingyu. Research on the Impact of Corporate Governance on the Quality of Accounting Information Disclosure [J]. Accountant, 2020 (04): 3-4.
- [5] Shi Yue, Zhang Xinyu. Research on the Impact of Corporate Governance on the Quality of Management Accounting Information Disclosure [J]. Finance, 2018 (03): 116.
- [6] Liu Aidong, Wan Fang. Research on the influence of corporate governance on the quality of management accounting information disclosure [J]. Friends of Accounting, 2016(9):4.