

# *A Brief Discussion on Green Accounting*

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**Abstract:** In recent years, environmental and ecological protection has become a hot topic, green accounting emerged as a new concept. Taking sustainable economic development as the goal, green accounting can strengthen the social environmental responsibility of enterprises, realize the effective integration of resources and the green sustainable development of the environment, and make it have important economic value and environmental protection value.

## **1. The Generation and Meaning of Green Accounting**

Since the industrial revolution in the 1860s, modern industry has not only provided rich material products for human society, but also made the environmental pollution problem more and more serious. To solve this contradiction, some western economists, environmentalists, sociologists and ecologists began to study the coordinated development of economy and environment. In 1973, J.T.marlin published the “accounting of pollution” in the second issue of the “monthly journal of accounting”. Since then, the research and development of green accounting have gradually come into people's eyes. In 1999, the United Nations discussed and adopted the “position statement on environmental accounting and reporting”, forming a systematic and complete guide to international environmental accounting and reporting. In March 2001, China established the “green accounting committee”. In June 2001, approved by the ministry of finance, the Chinese accounting association established the seventh professional committee, marking a new stage of green accounting research in China.

Green accounting is also called environmental accounting. It takes currency as the main unit of measurement and relevant laws and regulations as the basis to measure and record the costs of environmental pollution, environmental prevention and control and environmental development. At the same time, it is an emerging discipline that reasonably measures and reports the benefits of environmental maintenance and development, so as to comprehensively evaluate the impact of environmental performance and environmental activities on the financial achievements of enterprises. It tries to combine accounting with environmental economics to achieve the purpose of coordinating economic development and environmental protection through effective value management.

## **2. Confirmation and Measurement of Green Accounting**

### **2.1. Confirmation of Green Accounting**

(1) green accounting assets. Different from traditional accounting, assets are defined as economic resources that measure income and expenditure in currency and are formed by past transactions and can bring expected profits to enterprises. Green accounting divides assets into two types according

to the existence of nature: tangible green assets and intangible green assets.

(2) green accounting liabilities. Traditional accounting liabilities are obligations undertaken by enterprises to be measured in currency and repaid in the future by labor or assets. And green accountant is the environmental cost accompanied by the harm or adverse effect that the enterprise causes to the environment in management activity and accident process Enterprises are generally required to compensate with assets and labor.

(3) green accounting owners' equity. In China, the state has the ownership of environmental resources, and enterprises only enjoy the right of exploitation provided by the state without ownership. However, green accounting classifies natural resources into the category of assets. In order to ensure the reliability and relevance of green accounting in accounting records, the owner's equity of green accounting should be listed separately.

(4) green accounting expense. The division of green accounting cost and traditional accounting cost is very similar, and it is to point to transformed form paid or consumed by the economic or other activity that the enterprise produces inside its sustainable development management period.

(5) green accounting revenue. In relative environmental activities, the economic benefits of green accounting assets generated or to be generated in monetary terms are the benefits of green accounting. Green revenue can be divided into direct green accounting revenue and indirect green accounting revenue.

## 2.2. Measurement of Green Accounting

(1) actual cost method. The measurement of this method is based on the actual transaction cost or price of the transaction. The actual cost method refers to the objective basis for the measurement of green accounting elements, which is convenient for future audit. Therefore, it is a relatively objective and accurate accounting measurement method.

(2) alternative market method. Under the alternative market method, the prices of goods and labor in the market can directly or indirectly reflect consumers' assessment of product quality and environmental standards.

(3) opportunity cost method. The resources currently available are limited. When we use one resource, we inevitably give up the opportunity to use another resource. At this time, we need to use opportunity cost method to evaluate whether the use of this resource is valuable or not.

## 3. The Difference between Green Accounting and Traditional Accounting

On the basis of traditional accounting, green accounting is generated in response to the inability of traditional accounting to solve environmental problems in the accounting process. The differences between green accounting and traditional accounting are mainly reflected in the following aspects:

1. In modern economic society, the supervision and response of traditional accounting to the business activities of enterprises is incomplete, while green accounting makes up for its deficiencies. It reflects and supervises the capital and movement of enterprises from the perspective of human economic activities. According to the principle such as accrual basis, historical cost, it uses the method of double entry bookkeeping to undertake affirming, measure, record and report to the economic item that the enterprise produces. However, the impact of enterprises' economic activities on the environment is not reflected in accounting. Green accounting, on the other hand, starts from the ecological environment and the whole human activities, centers on the efficient utilization and consumption compensation of natural and social environmental resources, comprehensively reflects and supervises the economic activities of enterprises, so as to effectively solve the problems that traditional accounting cannot solve.

2. Traditional accounting has defects in the measurement of assets, liabilities, income and expenses, while green accounting improves these problems. In traditional accounting, only the things with property ownership have a price, have monetary measurement, and can be reflected in the accounting statement of the enterprise. But such as air, ocean, ozone layer and so on which are vital to human beings but do not have the ownership can not become the traditional accounting content. The use and damage of these things are not recorded as the operating cost of the enterprise, which makes virtual decrease in cost and, virtual increase in profits. What is more, such "acquiescence" can undoubtedly be seen as an encouragement to achieve current benefits at the expense of the environment. Green accounting fully emphasizes the limitation and scarcity of environmental resource, which is the "property" shared by all mankind. It must be endowed with value and price, and its loss should be compensated. Thus it makes the enterprise's responsibility extend to the society, forces the enterprise comprehensively consider economic benefit, social benefit and ecological benefit, and truly realizes the economic sustainable development.

#### **4. Analysis of the Current Situation of Green Accounting in China**

##### **4.1. The Green Accounting System is Imperfect**

At present, China's green accounting work is still in the stage of theoretical discussion. Although many experts and scholars have put forward the measurement, confirmation, disclosure and other related matters of green accounting, there are few specific provisions on green accounting in China's current accounting standards. And its accounting system and green accounting theory have not formed a complete system. There are no clear provisions on how green accounting should be accounted for, how accounting information should be disclosed and how it should be presented in accounting statements, and there is no operability in practice.

##### **4.2. The Quality of Accounting Personnel is not High**

Green accounting is an interdisciplinary subject, and accounting personnel should not only know accounting knowledge, but also master certain environmental protection knowledge. Green accounting also does not carry out relevant practical training. Therefore, few people in the enterprise really know green accounting. In addition, the traditional accounting system in China does not cover the content of green accounting. In addition, some enterprises reject green accounting due to various interest factors, which weakens the enthusiasm and initiative of accountants in green accounting to some extent, and their overall sense of responsibility and quality need to be improved.

##### **4.3. The Internal and External Supervision Systems are Inadequate**

The protection of the social environment requires the joint efforts of all members of society. Although China has set up special environmental protection departments, it has also introduced a series of laws and regulations, including the "environmental protection law of the People's Republic of China" and the "water pollution protection law of the People's Republic of China". However, only the promotion of government departments can not play a great role. To truly protect the environment, all members of society need to actively participate in and make efforts.

##### **4.4. The Whole Society Lacks the Atmosphere of Green Development**

From the perspective of the whole society, green accounting reports the impact of business activities

on all social parties. It basically measures the overall operating efficiency of an enterprise based on the perspective of the whole society's interests, rather than merely paying attention to the responsibility and interest impact of the enterprise's production and operation activities on shareholders and creditors. However, at present, the concept of green accounting in China is not perfect. In addition, green accounting research started relatively late in China and has not formed a relatively complete accounting system. Green supervision work is not in place, coupled with the exclusion of some enterprises, so that the whole society has not formed a comprehensive and unified understanding of green accounting, and lacks in green development atmosphere.

## **5. The Problems to be Solved in Establishing Green Accounting Theory and the Necessity of Implementing Green Accounting in China**

### **5.1. The Problems to be Solved in Establishing Green Accounting Theory in China**

- (1) establish a green accounting research mechanism
- (2) strengthen the implementation and publicity of green accounting education
- (3) implement the green accounting reward and punishment system
- (4) understand the principle of long-term and gradual implementation of green accounting
- (5) establish the "green tax" system and improve the green accounting system

### **5.2. The Necessity of Implementing Green Accounting in China**

- (1) it can save resources
- (2) it can improve the ecological environment
- (3) it is the inevitable choice for enterprises to maximize their own value
- (4) it can enrich and improve accounting theories
- (5) it is conducive to the further opening up of China
- (6) it is the inevitable result of the expansion of corporate social responsibility to the society

## **6. Conclusion**

Green accounting can effectively solve the ecological environmental protection problems in the process of economic development. It requires all departments and fields to join in and assume their own responsibilities. Although green accounting system is not perfect enough, but as long as we actively learn from successful experience, promote the country, the government, enterprises and individuals to act and deal with local interests and overall interests, short-term interests and long-term interests, self-interests and global interests, We can achieve a high degree of integration of economic benefits, environmental benefits and social benefits, achieve a new height of green accounting development in China, and achieve new economic development and sustainable development of the whole society..

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