

The essence of accounting under the sustainable development view

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Abstract. About the nature of accounting, different people have different opinions in the academic circle. The classic theories mainly include management activity theory, information system theory, business language theory and so on. With the prosperity of economy and the progress of society, sustainable development has gradually become the goal pursued by enterprises and society. Under the concept of sustainable development, society's expectation on accounting has also changed, and only reflecting economic value can no longer meet the needs of enterprises and society. Enterprises and society expect accounting to provide sustainable value that fully reflects the combined benefits of environment, society and governance. Therefore, under the concept of sustainable development, accounting in essence should be a tool to comprehensively determine the sustainability value of an organization by measuring the input of economic capital, environmental capital and social capital and the value created by each of them in a special way. The understanding of the essence of accounting has also expanded from the traditional economic management system to a larger sustainable system.

Keywords: ESG; nature of accounting; sustainable development; sustainable value.

1. Introduction

As Marx put it, "The more the process proceeds on a social scale, the more it loses its purely individual character, the more necessary is the bookkeeping as control of the process and as a summary of ideas." The more the economy develops, the more important accounting is. In order to make accounting better serve the society, we must first clarify the essence of accounting, which is the original fundamental attribute of things themselves. Only by clarifying their essence can we know more clearly what accounting should do and how to do it. As new terms such as "low-carbon", "green", "carbon peak" and "carbon neutral" come into people's vision, economic value is no longer the only index to evaluate enterprise benefits. While pursuing economic value, enterprises have the obligation to protect the environment and reduce carbon emissions. Therefore, enterprises pay more attention to the impact of economic development on the environment and the benefits brought to society. And how to conduct proper governance. Value creation is the original intention and mission of enterprises, and sustainable development (continuously creating value for shareholders and society) is the vision and goal of enterprises[1]. In order to maintain sustainable development, enterprises should not only pay attention to the impact of business activities on the environment and society, but also establish a sound governance mechanism. Therefore, compared with simply measured economic value, the sustainability value of enterprises evaluated by ESG is more objective and can better reflect the contribution of enterprises to society. Therefore, it is more meaningful to evaluate the value of enterprises based on ESG. Under the sustainable development concept, the understanding of the essence of accounting is particularly important, because only by recognizing the essence of accounting can we remove the misunderstanding of accounting and make accounting better serve the society.

2. Sustainable development and sustainability values

The infinite desire of human beings and the limited resources have been a pair of contradictions since ancient times. The root of management is to balance this contradiction, and accounting, as a branch of management, is also due to assume this responsibility. With the continuous development

of economy and the increasing progress of society, the former way of promoting economic development at the cost of sacrificing the environment and consuming non-renewable resources has been gradually abandoned, and the academic and practical circles have begun to explore sustainable development and pay attention to the measurement of sustainability value. Sustainability Value [2,3,4] is a kind of monetization value that is guided by the idea of integration, adopts the idea of opportunity cost, and comprehensively evaluates the value of an organization based on the value contribution of economic capital, social capital and environmental capital. Since the 19th National Congress of the Communist Party of China in 2017, the principal contradiction in China has changed from the contradiction between the people's ever-growing material and cultural needs and backward social production to the contradiction between the people's ever-growing needs for a better life and unbalanced and inadequate development. It is clear that with the improvement of the quality of life, the people's needs have also been upgraded. Of course, the good life also includes a clean, comfortable, green and healthy living environment, not just the pursuit of being able to eat and wear warm clothes.

The concept of sustainable development is the core content of the scientific concept of development, which refers to the development that meets the needs of the present generation without damaging the ability of future generations to meet the needs. Sustainable development requires enterprises not only to pay attention to the impact of business activities on the environment and society, but also to establish and improve governance mechanisms. Whether an enterprise can develop sustainably depends not only on the cost benefit of its own operation, but also on the social cost benefit derived from its operation. If the benefits of society and governance are not considered, and only economic value is taken as the core index to evaluate enterprises, enterprises will destroy the environment and social order in order to pursue economic interests, and develop a large number of non-renewable resources, the whole society will become a profit-oriented society, which is obviously inconsistent with the nature of socialism in China. It does not conform to the sustainable development proposed by the scientific concept of development.

ESG [1] means that environment, society and governance are the analytical frameworks for evaluating sustainable development. Currently, typical ESG analytical frameworks include GRI four-module standard system, SASB five-dimension reporting framework, WEF four-pillar reporting framework, TCFD four-element climate information disclosure framework, CDSB Environment and climate change disclosure framework, etc. The five analytical frameworks have different focuses and different standards. The four-module criterion system of GRI mainly focuses on economic, environmental and social impacts, with little reference to governance. The four-element climate information disclosure framework of TCFD and the environment and climate change information disclosure framework of CDSB both focus on the environmental level and do not touch the social responsibility and corporate governance level, and are not strictly ESG reporting frameworks. In contrast, the SASB five-dimension reporting framework and the WEF four-pillar reporting framework have more complete ESG components. The five areas of sustainability in the SASB five-dimension reporting framework are environmental protection, social capital, human capital, business models and innovation, leadership and governance, while the four pillars of the WEF four-pillar reporting framework are governance principles, protecting the planet, benefiting people and building prosperity. Therefore, this paper proposes to use the SASB five-dimension reporting framework and the WEF four-pillar reporting framework to report on the sustainability value of enterprises, which comprehensively reflects all aspects of ESG.

3. Nature of accounting

In the previous literature, many scholars have explored the essence of accounting. Marx pointed out in *Capital* that accounting is "the control of the process and the summary of ideas", that is, it includes control and summary; Ge Jiashu proposed accounting as an economic information system [5], that is, accounting is an information system that provides information necessary for decision-making to various stakeholders. Yang and Yan argue that accounting, a social phenomenon, belongs

to the category of management and is a management activity of human beings[6], and accounting work is a management work[7]. Since entering the 21st century, accounting fraud cases have occurred frequently. Under the background of global credit crisis, accounting cybernetics has been used to reflect on the distortion of accounting information of enterprises, and it is proposed that "the essence of accounting is more the essence of accounting standards, and the essence of accounting standards is to objectively reflect the utilization of economic resources and results". That is, "the essence of accounting lies in the reasonable coordination of the media of interest relations of all parties" [8]; Fan and Gu believe that the essence of accounting is "system cybernetics based on value information" [9], where value information refers to "the comprehensive information representing the complete content of economic activities, including the value creation of enterprises in the process of operation and development." That is, monetary and non-monetary information that reflects the value-added and non-value-added activities of the enterprise, as well as some forward-looking information."

There are some differences between "economic information system theory" and "management activity theory". "Economic information system theory" holds that accounting itself does not have control function, and decision-making bodies or decision makers can use information feedback to achieve control purposes, that is, accounting is separated from human beings. The theory of management activity holds that the emergence of accounting is based on the needs of human management, accounting cannot exist independently from human beings, and accounting without human beings is illogical and absurd. Based on the above theories, this paper holds that accounting is essentially a combination of bookkeeping and control, just as Marx pointed out in the third volume of Capital "value determination and related bookkeeping", indicating that value determination must first reflect the result of value determination, and at the same time control the process of value determination. The basic function of accounting is accounting and supervision, accounting is the input and output of resources, which is displayed in the form of financial reports, accounting is to reflect the result of value determination, and supervision is the process of value determination.

A correct understanding of the nature of accounting is of great significance to society, enterprises and accountants. The distortion of the understanding of the essence of accounting will lead to serious consequences. In fact, accounting personnel is only a link in the entire business process of the enterprise, and is at the middle end of the entire business chain. However, due to the society's unclear understanding of the nature of accounting, the society has excessive expectations of accounting personnel, accounting personnel bear too much responsibility, etc. Kangmei case is a typical case, and the fraud case of Kangmei Pharmaceutical is called "financial fraud". But in fact, how can it be only financial fraud? If it is financial personnel fraud, according to the motivation can be divided into spontaneous fraud and passive fraud, spontaneous fraud generally refers to accounting personnel for personal gain and fraud behavior, such fraud is not high concealability, does not have a chain reaction, CPA audit is easy to find, the scope of influence is relatively narrow; The passive fraud generally refers to the accounting personnel in the unit head of instruction, instigation, forced under the collusion with the unit head of the accounting fraud, this fraud generally has a complete business chain, high concealment, wide range of influence, clever means and other characteristics, and often the consequences of this fraud is the most serious, is a devastating impact. Therefore, a correct understanding of the essence of accounting is helpful to define the responsibility of accountants.

4. The essence of accounting under the sustainable development view

Under the concept of sustainable development, accounting is essentially a tool for organizations to comprehensively determine the sustainability value of an organization by measuring the input of economic capital, environmental capital and social capital and the value they create[10]. Under the sustainable development concept, the society's requirements for accounting continue to increase. This paper makes an in-depth exploration of the essence of accounting, not to overturn the previous theory, but to expand on the previous basis, overcome the narrow nature of "economic value" as the core, and make the essence of accounting closer to its essence. The establishment of sustainability science

and the characteristics and limitations of the existing understanding of the essence of accounting will inevitably lead to the further deepening of the understanding of the essence of accounting from the perspective of economic management to the broader perspective of sustainable development.

Economic value is only an evaluation index of sustainability value. In this era with the theme of "green", economic value is no longer sufficient to measure all the value created by enterprises, nor should it be used as the core index to evaluate enterprises. Society pays more attention to the comprehensive sustainability value of enterprises in the three aspects of environment, society and governance, accounting serves the development of enterprises. The essence of accounting should also keep pace with The Times, and comprehensively reflect the sustainable value of enterprises in the three aspects of environment, society and governance.

5. Conclusion and prospect

By analyzing the expectations of enterprises and society on accounting under the sustainable development view, this paper concludes that under the sustainable development view, the accounting information system theory, management activity theory and business language theory with economic value as the core have certain shortcomings. They do not deeply consider the benefits of environment and governance, and cannot fully reflect the benefits of enterprises and the contributions of enterprises to society. The significance of the existence of an enterprise is not only to create economic value, but should be the comprehensive sustainability value in the three aspects of economy, society and governance. Therefore, this paper holds that accounting is essentially a tool to comprehensively determine the sustainability value of an organization by measuring the invested economic capital, environmental capital and social capital and the value created by them in a special way. The basic function of accounting is to determine sustainability value.

A clear understanding of the essence of accounting is helpful to define the responsibility of accountants and to better carry out accounting work. This paper expands the essence of accounting from reflecting economic value to comprehensively reflecting the input of economic capital, environmental capital and social capital, and comprehensively reflecting the sustainable value of enterprises in three aspects: economy, society and governance. The core value is expanded from "economic value" to "sustainability value", hoping to overcome the deficiency of the traditional accounting essence which takes economic value as the core. However, it also raises a series of issues worthy of discussion, such as how to recognize and measure environmental capital and social capital, and how to measure them. If it cannot be accurately reflected, blindly proposing to reflect the value of sustainability will only distort accounting information, which is not conducive to social development. The existing basis can not accurately recognize and measure environmental capital and social capital, which also reflects the certain defects of the current accounting theory. To explore and improve the accounting theory should be the lifelong mission and pursuit of accountants. Only by constantly improving the accounting theory can accounting better serve the society.

Acknowledgements

The authors gratefully acknowledge the scholars who provided references for this study.

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