

Environmental Accounting in Japan

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International Symposium on Environmental Accounting

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Environmental Accounting System

External environmental accounting – Environmental accounting
(Environmental financial accounting) in financial reports



Environmental accounting in environmental report



Internal environmental accounting – Environmental accounting
(environmental management accounting) for corporate management

Japanese Initiatives on Environmental Accounting

- Environmental accounting in financial reports:
Japanese Institute of Certified Accountant Association
- Environmental accounting in environmental report:
Ministry of the Environment (MOE)
- Internal environmental accounting: Ministry of Economy, Trade and Industry (METI), Ministry of the Environment

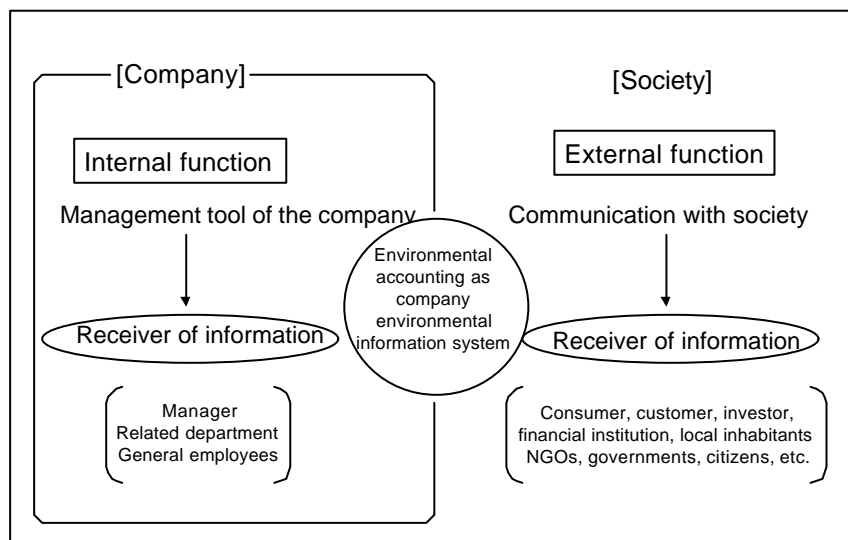
Initiatives of MOE on Environmental Accounting

- 1999 Draft environment accounting guideline
- 2000 Environmental accounting guideline
Environmental accounting guidebook I
- 2001 Environmental accounting guidebook II
→ industry working group on environmental accounting,
application to internal management
- Related guidelines:
Environmental report guidelines(2001)
Environmental performance guidelines(2001)

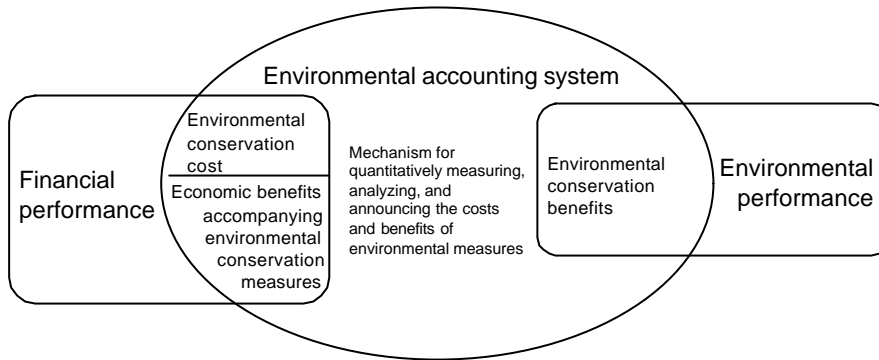
MOE Environmental Accounting Guidelines

- Constructing a framework of **environmental accounting system**
- **Disclosing** environmental conservation cost, economic benefits and environmental conservation benefits
 - Internal use: support for management
 - External use: environmental accounting can play a role as **“financial statements”** in environmental reports

Function of environmental accounting system



Basic Framework of Environmental Accounting System



Cost and Benefit Contrast

Cost

* Investment amount and expense amount for environmental conservation

Examples)
 Business area cost
 Upstream and downstream costs
 Management activity cost
 Research and development cost
 Social activity cost
 Environment damage cost
 (Monetary quantity unit)

Benefit

* Environmental conservation benefit

Examples)
 Reduced amount of environmental pollutant discharge
 Amount of resources and energy saved
 Reduced amount of waste
 (Physical quantity unit)

* Economic benefit accompanying environmental protection measures

Examples)
 Amount contributed to business profit
 Reduced expenditure, expenditure avoided
 (Monetary quantity units)

METI Initiatives on Environmental Accounting

- * Environmental accounting research project (3 year plan) in **Japan Environmental Management Association for Industry**: Constructing **environmental accounting methods for internal management**

Environmentally conscious capital investment

Environmental cost management: environmental quality costing, environmental target costing

Material flow cost accounting

Environmentally conscious performance evaluation system

Life cycle costing

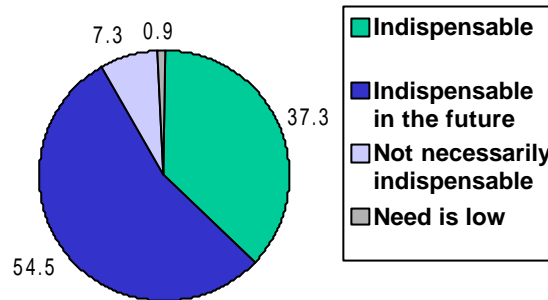
Japanese Companies and Environmental Accounting

- Increase in **EMS** companies (ISO 14001)
 - Necessity to clarify environment and economics relationship
- Increased environmental disclosure through **environmental reports**
 - Environmental accounting as a major item
 - 1203** companies (excluding financial companies) in First Section of Tokyo Stock Exchange
 - Number of companies publishing environmental reports : **208**
 - Number of companies disclosing environmental accounting : **140**
- **Eco fund** became a pressure for companies toward environmental disclosure including environmental accounting

Survey of awareness of Japanese companies towards environmental accounting

Question:

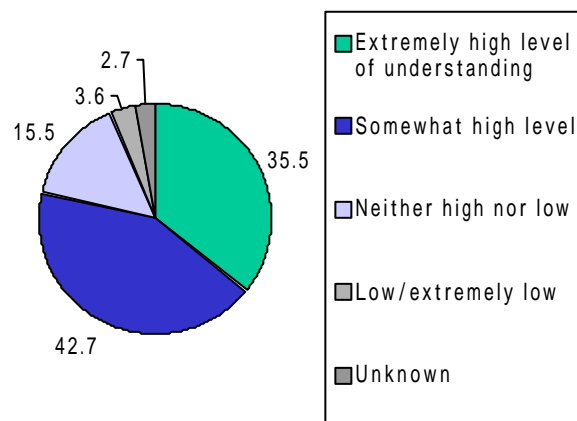
Is environmental accounting indispensable to corporate management?



Toyo Keizai "Statistical Monthly", April 2001
1208 companies contacted, respondents: 110

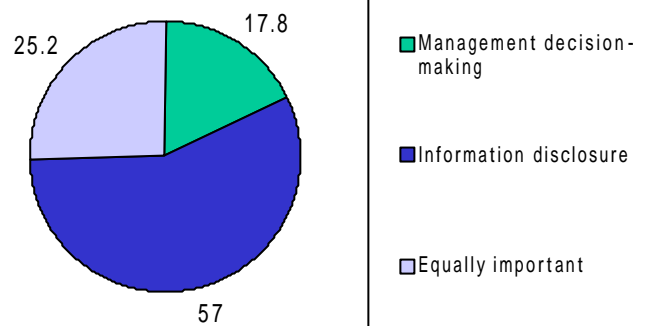
Question:

Level of understanding of management and executives concerning environmental accounting



respondents: 110

Question:
What is the purpose of environmental accounting?
Supporting for management decision-making or
information disclosure?



respondents: 107

Reexamination of Environmental Cost Concept

- External environmental accounting:
 - Environment conservation cost
- Internal environmental accounting:
 - Environment conservation cost
 - Material cost (raw materials, energy expenses)
 - Indirect costs (other than environmental preservation)
 - Life cycle cost (use and disposal stages)
 - Social cost

Outstanding Issues of Environmental Accounting

- **Comparability of environmental accounting** in environmental reports: guidelines by industry group
- Development of environmental accounting for internal use: **environmental management accounting**
- Dissemination to small and **medium-sized firms** and **local and central government bodies**

International Cooperation in Environmental Accounting

- Cooperation with research trends in environmental management accounting
→ **UNDSD, USEPA, German Environment Ministry**, etc.
- Transfer of environmental accounting technology to Asia-Pacific region → Networks such as **EMAN-AP**
- Constructing global scale **green supply chain**