

# Analysis on the Present Situation of Environmental Cost Management in China

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## Abstract

The economic development has neglected environmental protection and caused the environmental pollution problem to become more and more serious. People demand that Chinese enterprises reduce environmental pollution. Enterprises must formulate a series of relevant plans to implement and improve the environmental cost management system in enterprises. Many enterprises in our country still use high consumption, high pollution and low output production mode, and adopt the method of pollution treatment. Environmental cost has become an indispensable cost, and it is imperative to study a perfect environmental cost management system. Based on the research on the theory of environmental cost management, this paper analyzes the current situation of environmental cost management in our country. By drawing on the international experience of environmental cost management, it puts forward some countermeasures on how to improve the environmental cost management in our country. It is hoped that it will help enterprises to strengthen environmental cost management, establish a unified environmental cost management model, improve the environmental cost management system, and open up a new way for enterprises to implement environmental cost management.

## Keywords

Environment Cost; Environment Cost Management; Sustainable Development.

## 1. Introduction

As the promoter of the world economy, enterprises occupy and use a large amount of natural resources, and the upgrading of their products provides a suitable "hotbed" for resource consumption and environmental destruction. On the surface, the extent of human damage to nature has declined, but in fact, the total amount is still high. Nowadays, the environmental problems have crossed the limits of national boundaries and regions, and become another global topic after "economic development". To reverse this situation, it is far from enough to rely solely on the government's environmental control. Taking enterprises as the main body and implementing effective environmental cost management is the fundamental way to solve the problem. By analyzing the current situation and existing problems of environmental cost management in China, absorbing and learning from the international experience of environmental cost management, this paper puts forward the corresponding countermeasures to improve environmental cost management in China, hoping to help enterprises establish a unified environmental cost management model and a sound environmental cost management system, and promote the sustainable development of Chinese enterprises.

## 2. Environmental Cost Management

### 2.1. The Connotation of Environmental Cost Management

It is generally believed that environmental cost management is to carry out a series of scientific management such as organized and systematic prediction, planning, decision-making, control,

analysis and assessment of the environmental costs involved in enterprises according to the objectives and requirements set by enterprises, so as to reduce the costs of enterprises and maximize the economic and environmental benefits of enterprises.

## **2.2. Environmental Cost Management's Goals**

As an enterprise that is mainly responsible for environmental pollution, it is duty-bound to strengthen environmental cost control [1]. Enterprises must take the consumption of energy and resources and the loss of ecological environment in the process of production and operation into the cost, and implement effective control. It can be seen that the goal of enterprise environmental cost control is to fully calculate the environmental cost and realize effective control, that is, to realize the coordination and win-win of economic benefits, ecological benefits, social benefits and environmental benefits.

## **2.3. Environmental Cost Management's Principles**

To achieve the goal of enterprise environmental cost control, we need to follow the following two basic principles in the control activities: First, the principle of effective control, that is, the control of enterprise environmental cost and its effect must follow the national environmental laws and regulations; Second, the principle of cost-effectiveness, that is the environmental cost control of enterprises cannot be controlled for the realization of environmental cost control, but must take into account the economic interests, and even take improving the long-term economic benefits of enterprises as the starting point; otherwise, no enterprise will effectively implement environmental cost control.

## **2.4. Characteristics of Environmental Cost Management**

First, the strategic, competitive and social control objectives. The goal of strategic control of environmental cost is to make enterprises abandon the short-term narrow idea of blindly pursuing "profit maximization" in the past, and plan and implement the strategy and scheme of environmental cost control from the long-term strategic level, to enable enterprises to have lasting cost competitiveness and better shoulder the social responsibility of protecting ecological environment.

Second, the comprehensiveness and extensiveness of the control scope. The strategic control scope of environmental cost includes not only the internal value chain, but also the external value chain, which is more comprehensive and extensive than the traditional cost control mode limited to the production link [2].

Third, the diversity and hierarchy of control measures. Enterprises can adopt the dynamic control mode of environmental cost in the whole process of planning in advance, monitoring in the event and handling afterwards, to overcome the shortcoming of single traditional cost control method and achieve comprehensive and multi-level strategic control effect of environmental cost.

## **3. The Current Situation of Environmental Cost Management in China**

### **3.1. The Environmental Cost Accounting System is Imperfect**

At present, enterprises do not separate environmental costs from daily production cost accounting when accounting for environment-related businesses, and the accounting of environmental costs is limited to explicit costs. The hidden environmental costs in the production process are not completely and systematically reflected in the accounting information of enterprises, and there is no separate accounting account for environmental costs, and the expenses related to environmental costs are included in production costs or period expenses, which cannot be accurately accounted for separately [3]. When these enterprises

need to collect the investment amount of environmental protection, they can only estimate it, and there is great uncertainty.

### **3.2. The Institutional Mechanism of Environmental Control is not Perfect**

The absence of environmental cost accounting system also leads to the failure of enterprise environmental cost control. From an economic point of view, the mechanism theory, that is, the incentive theory, means that the successful implementation of a system or technology requires appropriate "incentives", and only by achieving a "win-win" situation in the social system can a healthy cycle be achieved. This is also applicable to environmental problems. At present, the system and mechanism of environmental cost control in China is not perfect enough, which needs to be further improved in order to play its "incentive" function [4]. In addition, the environmental cost control of enterprises is limited to the end treatment, and the formulated environmental cost control measures cannot be combined with the actual situation and production process of enterprises, resulting in the environmental cost control measures of enterprises floating on the surface, repeated purchases of environmental protection equipment, high environmental fines and ineffective environmental cost control.

### **3.3. The Assessment Mechanism of Enterprise's Environmental Cost is Imperfect**

The assessment indicators of environmental protection formulated by enterprises summarize all aspects of environmental protection in detail as much as possible, but there are few qualities assurance on environmental cost management [5]. When formulating the environmental protection assessment indicators, the administrative department pays more attention to the statistics of pollutant emissions, without taking the environmental cost management into account. When formulating environmental protection assessment indicators, the cooperation between administrative departments and financial departments is not enough, which leads to the lack of quantification of environmental assessment indicators, the lack of prediction of environmental costs in the indicator system, and the inability to reflect the content of environmental costs.

### **3.4. Inadequate Disclosure of Environmental Cost Information**

The form of disclosure is single. At present, China's enterprises mainly share environmental information through the previous accounting statements. However, there is very little such information in accounting statements, and most of them disclose the financial information of enterprises. There is no independent and complete disclosure carrier of environmental information.

Disclosure lacks practical applicability. Accounting statements of enterprises are of little use to the management of environmental costs of enterprises, because a large part of environmental costs is not reflected in accounting statements. The asymmetry and lack of information makes the management of environmental cost weak, and makes it difficult for the receiver of information to make business decisions. In a word, China's accounting reports have no complete direct information about environmental costs, which is difficult to apply.

### **3.5. The Concept of Environmental Cost Control in Enterprises is Backward**

Most enterprises hold the outdated and backward concept that environmental cost control is to reduce environmental costs, and only consider the absolute reduction of environmental costs, without considering the development of circular economy or technological transformation by investing certain resources, so as to realize the recycling and efficient use of resources, and achieve a win-win situation of economic and environmental benefits and a relative reduction of environmental costs while achieving energy conservation and emission reduction. As a result, the environmental cost control method of enterprises is single and the effect is poor.

## 4. Countermeasures of Perfecting Environmental Cost Management in China

### 4.1. Improve the Enterprise Environmental Cost Accounting System

In traditional cost accounting, the environmental cost is not accounted separately, but simply included in the production cost. To grasp the environmental cost comprehensively and systematically, it is necessary to separate the environmental cost from the traditional production cost, set up the first-level subject "Environmental Cost" to record the environmental cost incurred by enterprises, and set up four second-level subjects "Prevention Cost", "Appraisal Cost", "Internal Loss" and "External Loss" under the first-level subject to reflect the collection process of environmental cost in detail [6]. After collecting the environmental expenditure incurred by the enterprise through the "environmental cost" account, the environmental cost will be carried forward to "production cost" at the end of the period, and there will be no balance in the "environmental cost" account after carrying forward. If the environmental expenditure incurred by an enterprise can prolong the service life of enterprise assets, improve the safety of assets and avoid the occurrence of environmental pollution, the enterprise can capitalize these expenditures, and then include them in the environmental cost by depreciation in installments [7]. By separately accounting the environmental cost, we can clearly understand all the expenses incurred in the process of enterprise production and operation for managing and optimizing the natural environment, and lay a foundation for enterprises to control and optimize the environmental cost.

### 4.2. Improve the Environmental Cost Control System of Enterprises

Establishing the whole environmental cost control system is conducive to expanding the achievements, overcoming the existing problems and realizing the effective control of the environmental cost of enterprises. Environmental cost has obvious externality and cost locking effect. Therefore, it is necessary to adopt advanced control and multi-dimensional control mode, strengthen the environmental responsibility and participation consciousness of enterprises, government and the public, and promote enterprises to strengthen environmental cost control [8]. The multi-dimensional environmental cost control system clearly takes the participation of three parties as the control subject. Through legislation, law enforcement, publicity and education, it establishes the idea of advanced control and comprehensive control, and guides enterprises to bear the responsibility of environmental cost control, thus forming a long-term mechanism of environmental cost control.

### 4.3. Optimize the Assessment Mechanism of Enterprise Environmental Cost

The environmental cost control of enterprises involves the arduous task of changing the economic structure, development mode and consumption mode. First, governments at all levels should establish a global awareness, strengthen organizational leadership, do a good job in environmental cost control of enterprises, and establish a target assessment system. Government-led, can play a key role in promoting. Moreover, the capital, technology and other resources needed to develop circular economy require the government to build a platform for cooperation among enterprises. Secondly, enterprises should formulate environmental cost assessment indicators from four levels: resource benefit, environmental benefit, economic benefit and social benefit [9]. Each index should set a corresponding index value, evaluate each department according to the actual value and index value, score the environmental performance of each department, and set corresponding coefficients during different score periods, to link the environmental performance with the salary of employees of each department.

#### 4.4. Standardize the Disclosure System of Environmental Cost Information

First, standardize and implement relevant laws and regulations on environmental cost information disclosure, and improve the level of environmental information disclosure of enterprises. The existing relevant norms are not enough to regulate enterprises to disclose environmental cost information. The relevant government departments should follow the law of low-carbon economy and formulate disclosure standards and systems suitable for China's national conditions and environment, so that polluting enterprises can have evidence to follow when disclosing relevant environmental cost information. Secondly, the government should establish a standardized report format in Chinese mode, to reduce the choice space of enterprises and improve the quality of information disclosure of enterprises. Finally, the propaganda and system go hand in hand, and the awareness of environmental protection is deeply rooted in people's hearts. Strengthen the network supervision, so that the public can read the environmental cost information report disclosed by enterprises at any time through the Internet, to better supervise enterprises to truly implement environmental protection policies.

#### 4.5. Innovate the Concept of Environmental Cost Control

Environmental cost control involves the problems of development road, economic structure and consumption mode, and it is difficult to achieve results only by the traditional control methods and means with single control concept and backwardness. Therefore, it is necessary to innovate the concept of environmental cost control, make full use of scientific research achievements and advanced technological means, and comprehensively adopt various ways and methods through scientific planning, developing "green economy" and encouraging "green consumption", etc.

### 5. Conclusion

Incorporating environmental issues into business activities is of great significance to the survival and development of enterprises. It is not only a risk but also an opportunity for enterprises. Therefore, scientific environmental cost management is a magic weapon for enterprises to realize sustainable operation. Fundamentally speaking, the main destroyer of China's ecological environment is enterprises. Therefore, to prevent and control environmental pollution, it is necessary for enterprises to do a good job in environmental cost management consciously. Therefore, the government should vigorously introduce laws and regulations related to environmental protection and actively supervise enterprises to fulfill their social responsibilities. Therefore, if enterprises want to survive in the fierce market competition, they should constantly seek more effective management ways to reduce their own environmental costs, to maximize economic benefits, environmental benefits and resource benefits.

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