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**TRUE AND FAIR VIEW OF FINANCIAL STATEMENTS
IN THE LIGHT OF INFORMATION ON THE
ENVIRONMENT**

Ph.D. THESIS

THESIS PAPER

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1. JUSTIFICATION OF THE IMPORTANCE OF THE RESEARCH TOPIC

My research has been directed to two ostensibly distant areas, **environment** and **accounting**, where I am examining their possible connection and the nature of this connection. The distance is only ostensible because there is a growing demand from the external players of the market for publications on environment management and impacts on the environment. This legitimate demand for disclosures seems to be best served by the accounting system with its external (**annual accounts**) and internal (**reports on the environment, highlighted environment information in executive reports**) accounts. I wish to point out how the totality of the accounting system and its different branches with its solutions and methods can be potentiated to provide environment related information to stakeholders.

The question may arise why I consider the disclosure of environment related information in the accounting framework to be important?

This becomes important due to the **significance of the disclosure of environmental information**. Let us start by saying that the pursuit of any business activity presumes the availability of resources necessary for business management. Significant resources have always changed in nature with changing social establishments and business management mechanisms. Land was the predominant resource in the age of the agrarian society, while capital was the predominant resource during the industrial society.

In today's knowledge based society, knowledge plays the key role, while our society is coming closer to the boundaries of possible development, is increasingly experiencing the lack of natural resources and is more and more concerned about its environment. Therefore along with boundless knowledge as a renewable resource (A. Toffler, 1993), the environment (Budapest Business School, creative community, 2004)¹, and environmental goods are more and more becoming meagre, limited and exhaustible resources, which drives up the value of the management of environmental resources putting it at the top of the most urging socio-economic problems to be solved.

The definition of the **environment** as a **resource** is indisputable at the level of individuals and business units: even the neoclassic school of economics (e.g. Pigou) dealt with the external effects of business activities and their internalisation possibilities. Alternative economics (e.g. Schumacher) is not exclusively concerned with the turnover of goods, but examines the whole system of economic management together with ecology and the environment as obviously inherent components. Alternative economics classifies goods into four groups: renewable natural resources, non-renewable natural resources, material goods and services.

In my view, the philosophy that lies at the heart of today's economies and regulatory systems is that all resources and goods are treated as material assets², with a purpose to serve the business management activity and to maximise profit. This approach and practice lead to the extent of natural resource utilisation with which the appropriate speed of regeneration cannot

¹ The environment is the totality of physical, chemical and biological conditions around living organisms comprising partly natural (soil, water, atmosphere, flora and fauna, landscape), and partly artificial (built) elements. In my thesis environment means the natural environment.

² The term of material assets does not refer to the nature of the assets, both intangible and tangible assets shall be classified here. Material assets shall be understood as a distinction from natural resources.

be ensured in the case of renewable natural resources, while the depletion of non-renewable natural resources puts the existence of mankind at risk (Global Footprint Network, 2007)³.

The purpose of accounting disclosure is justified by the core task and purpose of accounting. Accounting has the unquestionable duty to provide structured information on the resource acquisition and consumption, as well as the results of business organisations. Accounting can only fulfil this purpose if the information function is complemented with the stock taking of resources including the monitoring, measuring, recording and disclosure of financial processes.

The accounting approach to the environment as a resource is unsolved yet, as it is not corporate property, and its marketability can only be interpreted in a rather limited and unique manner (e.g. trading in pollution rights). At the same time, environmental economic events and processes (consumption of environmental resources, environmental impacts, pollution, protection) can already be taken into accounting consideration, however their measurement, recording and disclosure are only limited in financial accounting. The reason is that despite our consideration of the environment as a resource, it does not fulfil the disclosure criteria of assets (Baricz, 1997, IFRS Framework Principles).

Therefore what appears in the balance-sheet is not the environment but the impact exerted on it – for instance an environment protection investment, an obligation arising from environment pollution. Any business organisation incurs expenses and costs due to the use of the environment, its impact and pollution. The environmental information contents of both the balance-sheet and the profit and loss statement remain hidden, disclosures and business reports show concentrated and complementary type information thus the environment and the impact exerted by the business on the environment are excluded from the system of accounts. This may give rise to the view that from the perspective of environmental information no perfectly reliable and fair picture can be presented.

It has to be admitted, however, that due to the specificities of environmental information, financial accounting in itself is incapable of collecting, specifically classifying, processing and providing the data. The overall fulfilment of these tasks requires “support” from management accounting, the other accounting branch, and close cooperation between the two branches.

Based on my knowledge perfected with the help of the processed literature, my research over the past years and my obtained practical experience, **the key issues detected** by me are the following:

- The international environment reporting directives and the environmental rules of annual accounts are not capable either individually or together of demonstrating any company’s environment management in a systemised, consistent, standard rule abiding way.
- Neither national, nor international accounts provide any consistent but locally specific system of rules for environment information to support the requirement of providing a reliable and fair picture or comparability.

³ According to the calculations of the Global Footprint Network the Earth can regenerate the resources annually consumed by us in one year and three months, and can absorb the generated waste.

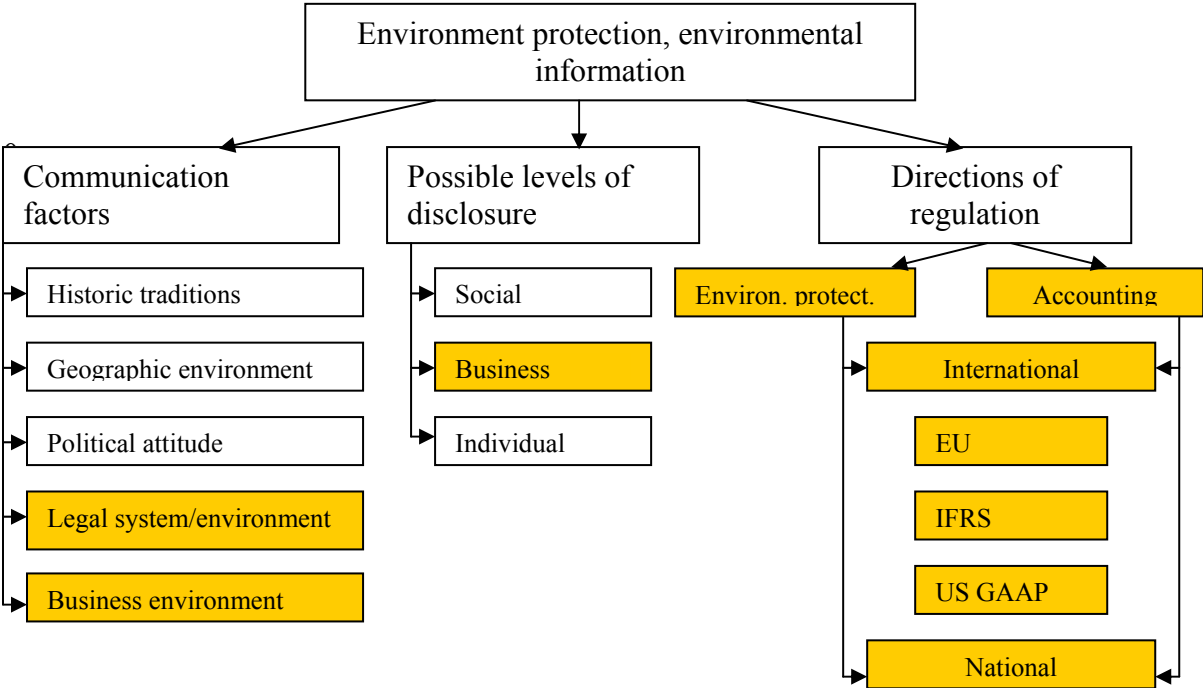
The topical and justifiable nature of my research topic is emphasized by the great number of international publications voicing a need for the management and disclosure of environmental information, and by the positions taken in the topic by international accounting organisations. The novel character of my work lies in my aspiration to make this still undeservedly unrecognised accounting topic more accepted and better understood. The work that I have done highlights possible ways and options for the presentation and disclosure of environmental information within the accounting information system.

2. SCOPE AND BOUNDARIES OF THE RESEARCH TOPIC

At the heart of my research lies the question how environment as a resource can be treated in the world of accounting. I am trying to find answers to the questions whether accounting initiatives and rules for the treatment and disclosure of environmental information can be comprehended, whether they meet the requirement of reliable and fair picture in the area of environmental information, and what solution options can be identified for a more profound disclosure of environmental information in the accounting system.

Next, I wish to present the different aspects of my research with the help of this summary chart, in which the points concerned and discussed by my thesis are highlighted:

Chart no. 1. Scope of the research area, own chart



The chart illustrates that the regulatory issues of environmental information are at the heart of my research: I search through the micro level, the level of business units to explore the development of sustainable development and environment protection legislation, the different initiatives in environment protection, and the enforcement of the area of environment protection in accounting. Mostly, I concentrate on the “final products”: the publishable environment (sustainability) report as the product of environment protection initiatives, for which methods are given by the environment management accounting, and the “final product”

of accounting, the annual accounts to be published against the backdrop of rules for financial accounting.

In my research work I did not aim at producing information beyond standard practice to date. I also tried to avoid the trap of forcing financial accounting and annual accounts in the disclosure and treatment of environmental information where they are dysfunctional, where disclosure is impossible or would only be formal.

Due to the nature of the topic and the limitations of scope I do not intend to deal with the following issues or areas in large detail in this thesis, although I may superficially touch upon them while processing the topic: valuation of natural resources, environment management, analysis of the environment management toolkit, the environment protection audit, environment protection governance systems, environment protection insurances, valuation of natural resources, the indicators of the environmental output, environment management accounting methods.

3. PURPOSE OF THE RESEARCH

The main objective of my research work is the examination of management accounting and financial accounting to identify the extent they deal with the processing, measuring, disclosure of environment protection information, and further related tasks. In this scope I set out the following derived objectives:

- I am examining how much financial and management accounting rules, standards and guidelines ensure transparency and consistent treatment in the area of disclosing, valuating and publishing environment protection and environment related information. The financial and management information systems need to support and complement each other. Starting from this, I wish to analyse the strength of the link between the management accounting and the financial accounting branches of environmental accounting, and how the quality of this connection can be improved.
- Annual accounts represent a mandatory accounting document to be prepared and published by business companies offering information for external players and stakeholders. Its scope is set by the generally accepted accounting principles therefore the first question in my analysis is whether these principles shall be interpreted in a special way for the accounting interpretation of environmental information. Then, my purpose is to investigate what environmental information is currently contained in the different parts of the annual accounts, or how annual accounts can be extended to cover environment related information.
- Among other things, my purpose is to make a proposal for the development of an accounting standard dealing with environment protection issues, and to outline its elements, regulatory questions and possible solutions.

My research work intends to direct the attention of many target groups to the unquestionable significance of environmental issues, although it is not yet possible at a business level to create a uniform picture related to the environment protection issues of businesses.

Regulatory authorities may not turn a blind eye to this recognition and its management, where significant progress could be made by a cooperation of accounting and environment protection organisations.

Auditors need to treat the increasing risk of environmental information, and **business organisations** shall also wake up to the fact that the systemised and consistent disclosure of environmental problems cannot be avoided on the long term, and disclosure may become the tool of legitimacy and competitiveness.

Last but not least I also wish to be instrumental in the “education” of accounting **professionals** and **trainers**. I am calling attention to the fact that the disclosure of sustainability may be a required and has actually become a requirement today. We should also note that the requirement of disclosure inherently carries the more pronounced enforcement of the spirit of sustainability and sustainable development, and may also induce its spreading.

4. HYPOTHESIS FORMULATED DURING MY RESEARCH

In exploring the knowledge base of this thesis, I mostly dealt with international literature and publications for the treatment, disclosure, accounting approach of environmental information.

In my hypotheses I started from the theoretical connections and related empirical data formulated in literature and processed by me, and I added the conclusions of my research.

Hypotheses formulated during my research:

- 1) Environmental information can be collected from corporate information systems, and based on adequate regulation consistent, comparable data supply can be ensured also within the framework of financial accounting data provision. Thus, the adequate disclosure of environmental information in the financial accounts can be solved, although it is not enforced either at the national or the international level.**
- 2) The generally accepted principles and qualitative characteristics of accounting shall be applied for processing environmental information in the accounting system. However, without the explanation and interpretation of the basic principles and qualitative characteristics from an environmental aspect, application cannot be easily achieved.**
- 3) Standardisation requires the systemised and unique environmental interpretation of accounting principles and qualitative characteristics, the identification of the linkage points of financial and management accounting information systems, the expression of environmental information – except for external effects – both in units of natural measurements and in financial terms.**

5. RESEARCH METHODOLOGY

The **methodological** base of **my research** is provided by the processing of the accounting theory, for the purposes of which I applied mostly qualitative and non-qualitative methods. My research was partly directed to the processing of literature and partly to the collection and examination of empirical data.

I did the analysis and targeted systematisation of the information obtained from **literature**, and I tried to select and process the collected bulk of information in such a way that allowed for creative information management, weighting the really important, valuable, illustrative data. I searched for and processed primary and secondary sources related to the topic, as well as international and national literatures by topic, author, time of publication in adjustment to the topic and directions of the thesis.

I processed the literature in a multi-dimensional way:

- I reviewed the main steps in the development of environment protection and sustainable development from the 1950-ies to our present days, and the major milestones in related legislation at the level of the European Union, the United States of America and Hungary.
- I studied the broad area of environment protection initiatives: Corporate Social Responsibility (CSR), Global Reporting Initiatives (GRI), the Eco-Management Audit Scheme (EMAS) and the ISO 14001 standard.
- I processed, systemised and compared information relating to the environmental rules of international (European Union regulation, IFRS, US GAAP) and national accounting standards.
- I used the publications of outstanding researchers, environmentalists and accounting professionals dealing with the publishing requirement of environmental information, its possibilities and problems: Bebbington J, Gray R, et al. (1999), C. Gregory Rogers (2007 - 2008), Gray R. (1992-2001), Martin Freedman, Dennis M. Patten (1992-2007), Schaltegger, Kaspar Muller and Henriette Hindrichsen (1996), Wiseman, J (1982), Catasús B. (2007)
- I analysed the environment protection and sustainable development related guidelines, standards and recommendations of international environmental and accounting organisations: IFAC 1998, SMAC (1997), ACCA (2002), United Nations Division for Sustainable Development (2001), FEE (1995-2008), ICAEW (1992-2004).
- I read and compared the annual reports, annual accounts and environmental reports of international and Hungarian businesses trying to find the connection points.
- I interpreted sociological research works and sociological surveys, EU and Hungarian statistical reports.

While obtaining **empirical data** on the approach of businesses to environmental issues, I found myself confronted with the problem that in Hungary data collection related to environment protection and environmental information is in its infancy: there are existing national statistical data collections, but at the company level environmental data, environmental information is very little if at all identified, collected and made public, therefore its detailed analysis, and the structure of its financial and management accounting information systems are very difficult.

- As a manifestation of the empirical approach I conducted a questionnaire survey: I compiled a questionnaire to confirm and complete some points in the thesis, which was sent back by 142 businesses. I classified and analysed the businesses both by TEÁOR (Hungarian business classification by core activity) and by the level of sales revenue. I

processed the results of the questionnaires with the help of statistical methods (using the SPSS 15.0 for Windows program package).

- To supplement the questionnaire survey I conducted and analysed deep interviews, in which I tried to get in contact with companies that pursue high level environmental, sustainability communication, or are environmentally exposed due to their activities. I integrated the experiences of the deep interviews in the thesis.
- As in Hungary the possibility of empirical data collection is rather limited, I also used the related international empirical data, experiences and survey findings of international researchers and technical organisations.
(See the findings of the survey and the statistical analyses in detail in the annex of the thesis.)

6. STRUCTURE OF THE THESIS

Following **Section 1**, the **Introduction**, the thesis comprises three main sections.

In **Section 2** I am dealing with the current rules and methods of environmental data disclosure and evaluation.

In the first sub-section of this section I wish to demonstrate how notable researchers and the accounting profession approach the requirement environmental information disclosure and treatment. Next, in the sub-section I am reviewing the basic terms and their connections related to the topic of the thesis, and collate the specificities of traditional and environmental accountings.

In the second sub-section I am introducing the development of environmental accounts, and then I am investigating the main international environment reporting directives and environmental initiatives, covering their purpose, tasks and contents, as well as their international and national spread. I am identifying their weak points based on regulatory and substantive criteria to demonstrate that environmental management accounting and environmental reports in themselves are insufficient and inadequate to disclose environmental information.

In the third sub-section I am concentrating on financial accounting and its product, the annual accounts. I am collecting the environmental protection and environment related provisions of international and national accounting regulations. I am analysing to what extent their general or specifically environment related provisions are capable of handling and disclosing environmental information, and whether they can provide guidance for practical application, whether the totality of rules is adequate and sufficient for reliable and fair presentation.

Based on the conclusion drawn in section 2, **in section 3** I am monitoring accounting principles, the basis of all accounting regulations. I am checking the environmental priorities of the basic principles, and whether accounting principles are to be interpreted in a unique way for the disclosure of environmental information. I am analysing the enforcement of the principles from an environmental perspective in environmental management and financial accounting, and I am exploring the possible steps in developing a connection between management and financial accounting.

In section 4 I am dealing with the possible disclosure structure of environmental information and outlining the solution options in the disclosure, evaluation and publication structure applied in accounting. I am identifying the currently hidden environmental information

contents of the balance-sheet and the profit and loss statement, and defining the points where the relationship of financial and management accounting can be interpreted, and then I am detailing the characteristics of the connection points. I note the possible places of publication, and I am outlining the structure of the information to be published, and discussing the justification of the publication of environmental information. With this I am actually getting back to the idea formulated in the introduction – that the need of the disclosure of environmental information actually exists – by answering the question in my thesis how this need can be satisfied within the accounting system.

I am completing the individually definable sub-chapters and chapters with summaries and conclusions at the end.

7. THESES

The systems, standards, guidelines, interpretations worked out in relation to environmental reports issued for the management of environmental protection and environmental issues, environmental management accounting and the environmental aspects of the annual accounts do not ensure consistency in the area of disclosing, evaluating and publishing environmental protection and environmental information. Regulation in its provisions and management and financial accounting branches is intricate, multi-level, under- or over-regulated; and still, or rather therefore no complete environmental picture can be obtained about a given enterprise. This means that regarding treatment of environmental information, accounting in its current form as a communication language does not fulfil – cannot fulfil – its purpose. The solution would be to systemise, synthesize and streamline environmental protection and environmental type accounting rules to avoid the information and disclosure anarchy that the demand/requirement of presenting a fair and reliable picture would create.

THESIS 1

Environment protection and environmental information needs to be disclosed in the information system of accounting, and thus in the accounts in order to present the reliable and fair overall picture. For this purpose it will be necessary to standardise accounting rules of the accounting information system applicable to the disclosure, management and publication of environmental protection and environmental information.
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Examining **environment protection, and environment related legislation**, we can see a strong striving for the creation of legal provisions serving the purpose of environment protection and sustainable development, their global adoption, and the implementation of their contents. The positive intention behind the legislation is unquestionable. However, the overall impact – seeing the great bulk of provisions concerning various directions, representing varying depths and lacking inner coherence – is overregulation, lack of transparency, which may be inhibitive, may instigate avoidance or a passive attitude at the individual, business and social level.

The substantive development of **reports on the environment**, and their global spread indicate significant success over the past almost twenty years. If we examine reports on the environment not on the basis of different individual directives, guidelines or systems, but

conclude an overall environment report picture, we can see that the array of objectives, main areas and information to be presented are moving slowly towards a philosophical, conceptual unification. In spite of this several weak points can be identified during the analysis of environmental reports from a substantive and regulatory perspective.

The analysis of the environment protection, and environment related provisions of dominant and guiding accounting systems applicable to **the preparation of the annual accounts and financial accounting** (EU, IFRS, US GAAP and the Hungarian Accounting Act) suggests a similar conclusion to the one I drew after reviewing the legal background of environment protection, and the reports on the environment.

The EU, IFRS and Hungarian accounting regulations, which are built on the traditions of continental law, rather have a framework nature, in their rules we can explore theoretical, disclosure and evaluation deficiencies, they are “under-regulated”. As compared to them the case law based regulation of US GAAP formulates lots of smaller or larger, detailed and sometimes over-regulated provisions.

In addition to the above accounting regulations there are of course several international and national technical organisations and researchers dealing with this question adding their efforts to prevent environmental issues from appearing only from a management accounting perspective, however, their guidelines and recommendations cannot be deemed as generally accepted standards or guidelines.

Having studied the environmental management accounting, reports on the environment and financial accounting, I think that the regulation of their contents exists in various regulatory forms and at various levels covering several environment protection and environment related areas. There is no such system that would provide a consistent overall picture of the management of the environment as a resource, and even if we synthesize these, no overall picture will be received due to varying purposes, data and information structures.

All-in-all, however, it can be ascertained that currently there is no such global international accounting regulation that would create a uniform system for or would introduce the mandatory application of the disclosure of environmental issues in the annual accounts, their evaluation and publication requirements. The middle way should be found between under- and over-regulation, which would improve the quality of the related part of the annual accounts and would provide fair and substantive information for the users in such quantity, quality and structure that would not give rise to a feeling in business people preparing annual accounts that this extra work is done only to comply with legislation.

Why do I think that there should be a global accounting standard for environment protection and environment related questions when major accounting legislative organisations cannot fully agree about other questions either – for instance financial instruments? I consider my opinion legitimate because while in the treatment of financial instruments it is expedient to consider the historic traditions, legal background, economic environment of a given country or region, this should not happen in evaluating environment protection questions due to global and dramatic impact. For this, first of all the conflict of interests shall be lifted between the economy and the preservation of ecological values both at the political and the corporate level. Existing plans and initiatives for the protection and support of ecology and sustainable development are to no avail if they are mostly annulled by politics and large company lobbies. The players of the economy are still putting their own interests first, which does not primarily represent sustainable development, but rather shorter or longer term survival, enrichment and profit generation. (Turchany, 2008).

No significant breakthrough is to be expected in the management of environmental issues in annual accounts until it becomes fully accepted and obvious at the social, political, business and individual levels that our “real profit”, our survival is at stake. If we are to realise our “profit”, we need to give new interpretation to all arrays of life, a new attitude should leak into all small corners of our living space to substitute our practices and ordinary activities pursued so far.

A change of attitude has started in accounting, a set of environmental accounting rules has been worked out, however the lack of unity and the alternative of voluntary disclosure undermine the spread of this new approach.

THESIS 2

The area of environment protection and the nature of environmental information call for a special interpretation of generally accepted accounting principles and qualitative characteristics. This implementation in the accounting information system is a cornerstone of the uniform handling and standardisation of environmental issues.

The framework of any regulation or system is drawn by the underlying principles. Financial accounting formulates general basic principles for the compilation of accounts, and it does not deal with their environmental interpretation. The initiatives for environmental reports and environmental management accounting define the key principles related to their interested areas in a special and unique approach. “Cooperation” between financial and management accountings enables a unique environmental interpretation of basic principles.

Therefore I think that a special definition and interpretation of the basic principles shall be the first step in the uniform management of environmental issues, and in the elaboration of a global standard.

From the perspective of the treatment of environmental information, the following multi-dimensional table summarises the materiality and intelligibility of basic principles and qualitative characteristics in the annual accounts, the requirement of a special approach, and the presence of a connection between the financial and management accounting systems in relation to principles:

Basic principles, qualitative characteristics	Priority from the perspective of environmental issues	Interpretability from the aspect of the environment in the annual accounts	Need of special approach	Connection between financial and management accountings
<i>Inherent assumptions</i>				
Principle of business identification	++	0	++	0
Principle of going concern	++	+	+	0
Accrual basis	+	++	+	0
<i>User specific characteristic</i>				
Intelligibility	++	++	0	0
<i>Primary characteristics and components</i>				
Relevance, materiality	++	+	++	+
Cost-benefit	++	+	0	0
Timeliness	++	+	+	++
Individual valuation	0	0	++	0
Fair presentation (fairness)	++	+	+	+
Priority of substance over form	+	+	0	0
Neutrality	++	0	+	0
Prudential approach	++	+	+	+
Completeness	+	+	+	+
<i>Secondary characteristics</i>				
Comparability (consistency)	++	+	+	+
Continuity	+	++	0	++
Gross accounting (netting)	+	++	0	0

Meaning of 0:

- Priority: of low significance
- Interpretability: not applicable from an environmental perspective
- Special approach: not necessary, the general principles can be fully applied
- Connection: no connection can be found between the financial and management accountings

Meaning of +:

- Priority: of medium significance
- Interpretability: limited interpretability from an environmental perspective
- Special approach: directs attention to variations from general principles, modified, fine-tuned in its focus – focal diversion, special interpretation is necessary
- Connection: weak connection between financial and management accountings

Meaning of ++:

- Priority: of high significance
- Interpretability: fully interpretable from an environmental perspective
- Special approach: an approach completely different from general principles is needed
- Connection: strong connections between financial and management accountings

The examination of environmental interpretability of basic principles and characteristics in the annual accounts shows that limited interpretability is predominant.

If a basic principle or characteristic is not interpretable or only interpretable to a limited extent, this means that:

- it cannot be reasonably applied (individual evaluation, completeness), or
- general or environmental interpretation show significant differences (identification of business unit) or
- general formulation of basic principles or characteristics is not sufficiently detailed and emphasized for an effectively guiding interpretation of environmental information (neutrality, completeness)

Priority assigned to basic principles and characteristics does not also mean that the requirement of creating a – possible – balance of basic principles and characteristics can be given up. In my analysis, I realised that priority set on the basis of the environmental aspect does not differ from the general hierarchical structure in the identification of the main levels, but the difference in emphasis rather lies in the weights of individual components:

- in the application for environmental issues, the characteristics of prudential approach and neutrality shall be emphasized
- a tighter definition of the materiality, cost-benefit and completeness principles is necessary.

THESIS 3

The identification of the environmental connection points between financial and management accounting information systems, as well as the disclosure of environmental information – except external effects – in financial terms and in natural measurements can be basically and effectively achieved. Therefore, the treatment and disclosure of environmental information in the annual accounts, and the collation of the environmental report and the environmental information of the annual accounts are also possible.

The environmental report is the published product of the environmental management accounting information system, and contains mostly quantitative information and narrative explanations. The annual accounts built on the financial accounting information system, however, mostly present numeric, financially developed data and information in addition to narrative explanations. The conflict between the two accounting dimensions is seemingly not possible.

I think that in certain issues, for instance during the inception and treatment of external effects this is true. However, starting from the annual accounts, the environmental information content of the individual balance-sheet lines and profit and loss lines can be identified, and I have done this identification in the framework of this thesis.

It is important to highlight that the purpose of my analysis is not exclusively to prove the broad spectrum of environmental information that can be unveiled in the balance-sheet and the profit and loss statement. By analysing the connection points and possibilities of the management and the financial accounting systems I have the purpose to show that the disclosure of environmental information in the annual accounts does not mean that the information systems of enterprises should be profoundly transformed, laying extra burden on enterprises to be able to create this “new” information.

Disclosure can be also achieved by revising the processes and outputs of the information system from the perspective of “environmental awareness”, making visible what has been invisible so far.

In my view environmental information shall be disclosed and detailed in the annual accounts, but not on the main pages of the balance-sheet and the profit and loss statement as this would be counter-effective from the perspective of intelligibility and transparency.

The identification of environmental information that can be obtained from the balance-sheet and the profit and loss statement, and the assignment of the quantitative data of environmental reports to value data are achievable with the creation of an accounting system with a consistent environmental management accounting and financial accounting approach, which undertakes and manages the requirement of environmental information disclosure. The developed and operable analytical system of enterprises, the deeper cost centre – cost owner breakdown of cost accounting and the classification and collection of costs by environmental nature provide help.

The independent, generally accepted and uniform standard proposed by me for the disclosure and treatment of environment protection and environment related information provides an appropriate framework for the achievement of these aims in a structured and easy to understand format. The environmental information that can be explored in the mandatory annual report and the voluntary type environmental report can be collected and treated in a closed, logically built structure within the accounting information system.

The place of publication of the thus acquired string of data and information shall be decided. This gives rise to several solution options: in the supplementary annex of the annual accounts, as a separate part of the annual business report or integrated into environmental reports. Another option is that while keeping the independence and separate nature of reports serving different purposes, the uniform approach, data and information structure will ensure their harmony and comparability. There are pros and cons for each solution. In my view the most informative and transparent solution would be to make a separate disclosure in the annual reports.

However, we need to face up to the dilemma that the idea of making things visible is not always in the interest of enterprises. One reason can be that the company is not interested in environmental information, because the owners and the management of the company are not susceptible to environmental issues or because the activities of the enterprise do not make this necessary. Another reason may be the lack of corporate capacity for the generation and treatment of information, or “fear” of the authorities as the presented information may create possibility for penalisation, or may give the authorities the idea of introducing new directions and types of environmental rules, requirements or even taxes.

With all this on mind, I still think that companies, regardless of their size, could meet the requirement of disclosing environment protection and environment related information and all the more so if they are also affected by external and internal forces: by external forces I mean a higher than the current level, but not forcefully detailed related accounting regulation. Internal force is represented by the motivation of the companies; as a first step, the requirement of environmentally conscious operation and effective action shall become part of corporate culture, and then they shall wake up to the recognition that the regulated and systemised disclosure of environment protection and environment pollution information by all companies will not harmfully affect their market position, competitiveness and profit generating ability on the long term, but can actually improve those.

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