

[Home](#) > [Environmental Management](#) > Article

Economic Values and Corporate Financial Statements

| Profile | Published: 04 September 2003

| Volume 32, pages 1–11, (2003) [Cite this article](#)
[Save article](#)
[View saved research](#) >

[Environmental Management](#)
[Aims and scope](#) →

[Submit manuscript](#) →

[Vanessa Magness](#)¹

 666 Accesses 7 Citations [Explore all metrics](#) →

Abstract

Corporate financial statements do not include environmental values. This deficiency has contributed to the criticism that company managers do not include environmental impacts in the internal decision-making process. The accounting profession has not developed effective environmental reporting guidelines. This situation contributes to a second problem: the apparent inability of corporate reports to provide useful information to external parties. It has been suggested that by using nonmarket valuation methodologies, financial statements can be used to measure progress toward sustainable development. Nonmarket valuations are not generally accepted by the accounting profession. They are too subjective to support effective decisions, and too costly to obtain. Furthermore, demand for

this sort of information appears small. Some of these issues may be resolved over time. The most serious challenge, however, concerns how enhanced financial reports would be used. Financial statements are supposed to help investors assess the amount, timing, and uncertainty of future cash flows. A substantial portion of environmental value is based on nonuse benefits, much of which will never be realized in company cash flows. In other words, the role of financial statements would have to change. Furthermore, since there is no general agreement as to the meaning of “sustainable development,” efforts to operationalize the term have been fraught with difficulty. Moreover, monetization of environmental values could jeopardize their preservation, leaving some to question the overall objective of this form of reporting. For these reasons, while it is to be hoped that better reporting of environmental impacts will be forthcoming, the greatest advances will likely be outside the financial statements themselves.

 This is a preview of subscription content, [log in via an institution](#)  to check access.

Access this article

[Log in via an institution](#) →

Subscribe and save

☒ Springer+

from €37.37 /Month

- Starting from 10 chapters or articles per month
- Access and download chapters and articles from more than 300k books and 2,500 journals
- Cancel anytime

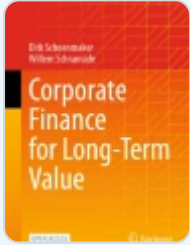
[View plans](#) →

Buy Now

[Buy article PDF 39,95 €](#)

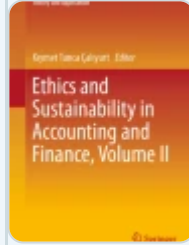
[Institutional subscriptions](#) →

Similar content being viewed by others



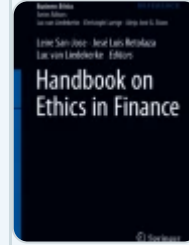
[Calculating Social and Environmental Value](#)

Chapter | © 2023



[Investigation of the Effects of Environment on Financial Reporting](#)

Chapter | © 2021



[Stakeholder Accounting for Sustainability Applied to Nonfinancial Information in Banking](#)

Chapter | © 2021

Explore related subjects

Discover the latest articles, books and news in related subjects, suggested using machine learning.

[Corporate Environmental Management](#)

[Corporate Social Responsibility](#)

[Environmental Economics](#)

[Financial Reporting](#)

[Financial Accounting](#)

[Sustainability](#)

References

R. Attfield (1998) Existence value and intrinsic value. *Ecological Economics*. **24** 163–168

[Google Scholar](#)

R. Ayres (1998) The price-value paradox. *Ecological Economics*. **25** 17–19

[Google Scholar](#)

R. Ball P. Brown (1968) An empirical evaluation of accounting income numbers. *Journal of Accounting Research*. **6** 159-178

[Google Scholar](#)

O. Barron C. Kile T. O'Keefe (1999) MD&A quality as measured by the SEC and analysts' earnings forecasts. *Contemporary Accounting Review*. **16** 75-109

[Google Scholar](#)

W. Beaver (1973) What should be the FASB's objectives?. *The Journal of Accountancy (August)*: . 49-56

[Google Scholar](#)

K. Bewley Y. Li (2000) Disclosure of environmental information by Canadian manufacturing companies: a voluntary disclosure perspective. *Advances in Environmental Accounting and Management*. **1** 201-226

[Google Scholar](#)

F. Birnberg (1980) The role of accounting in financial disclosure. *Accounting, Organizations and Society* **5** 71-80

[Google Scholar](#)

Bishop R., and T. Heberlein. 1979. Measuring values of extramarket goods: are indirect measures biased? 61:926-930.

R. Bjornstad R. Cummings L. Osborne (1997) A learning design for reducing hypothetical bias in the contingent valuation method. *Environmental and Resource Economics* **10** 207-221

[Google Scholar](#)

R. Blamey J. Bennett M. Morrison (1999) Yea-saying in contingent valuation surveys. *Land Economics* **75** 126-141

[Google Scholar](#)

Blunn, R. 1992. Content of reports growing. *Financial Post*. 19 October, P. s31.

P. Bohm (1972) Estimated demand for public goods *European Economic Review* **3** 111-130

[Google Scholar](#)

P. Boxall W. Adamowicz J. Swait M. Williams J. Louviere (1996) A comparison of stated preference methods for environmental valuation. *Ecological Economics* **18** 243-253

[Google Scholar](#)

D. Brookshire D. Coursey (1987) Measuring the value of a public good *American Economic Review* **77** 554-566

[Google Scholar](#)

D. Brookshire A. Randall J. Stoll (1980) Valuing increments and decrements in natural resource service flows. *American Journal of Agricultural Economics* **62** 478-488

[Google Scholar](#)

D. Brookshire M. Thayer W. Schulze R. D'Arge (1982) Valuing public goods *American Economic Review* **72** 165-177

[Google Scholar](#)

Buhr, N (1994) Environmental Disclosures: An Empirical Study of Corporate

Communication in Canada and the Role of Accounting, PhD dissertation.
University of Western Ontario.

[Google Scholar](#)

C. Byrd I. Chen (1997) Financial reporting in Canada Canadian Institute of
Chartered Accountants Toronto 424

[Google Scholar](#)

Canadian Academic Accounting Association. 2002. Canadian Accounting and
Education Research News. E. Deutsch (ed.). Toronto, (Spring):28 pp.

CICA (Canadian Institute of Chartered Accountants) (1993) Environmental costs
and liabilities: accounting and financial reporting issues CICA Toronto 129

[Google Scholar](#)

CICA (Canadian Institute of Chartered Accountants) (1994) Reporting on
environmental performance CICA Toronto 183

[Google Scholar](#)

CICA (Canadian Institute of Chartered Accountants) (1997) Full cost accounting
from an environmental perspective CICA Toronto 105

[Google Scholar](#)

CICA (Canadian Institute of Chartered Accountants) (2001) CICA Handbook—
Accounting Volume 1 CICA Toronto

[Google Scholar](#)

R. Carson N. Flores K. Martin J. Wright (1996) Contingent valuation and revealed
preference methodologies *Land Economics* **72** 80–99

R. Carson N. Flores N. Meade (2001) Contingent valuation controversies and evidence. *Environmental and Resource Economics* **19** 173–210

[Google Scholar](#)

P. Champ R. Bishop T. Brown D. McCollum (1997) Using donation mechanisms to value non use benefits from public goods. *Journal of Environmental Economics and Management* **33** 151–162

[Google Scholar](#)

M. Clawson J. Knetsch (1966) Economics of outdoor recreation Resources for the Future Inc. Baltimore, Maryland 328

[Google Scholar](#)

Cobb, C., Halstead T. and Rowe. R. 1995. The genuine progress indicator: Summary of data and methodology, Redefining Progress, San Francisco, California, 50 pp.

D. Cormier M. Magnan (1999) Corporate environmental disclosure strategies *Journal of Accounting, Auditing and Finance* **14** 429–451

[Google Scholar](#)

R. Costanza L. Wainger (1991) Ecological Economics. *Business Economics* **26** 45–48

[Google Scholar](#)

Costanza, R., R. d'Arge, R. de Groot, S. Farber, M. Brasso, B. Hannon, K. Limburg, S. Naeem, R. O'Neill, J. Paruelo, R. Raskin, P. Sutton, and M. van den

Belt. 1997. The value of the world's ecosystem services and natural capital. *Nature* 387:253-260

R. G. Cummings D. S. Brookshire W. Schulze (1986) Valuing environmental resources: an assessment of the contingent valuation method Rowman & Allanheld Totowa, New Jersey 270

[Google Scholar](#)

C. Deegan B. Gordon (1996) A study of the environmental disclosure practices of Australian corporations. *Accounting and Business Research* **26** 187-199

[Google Scholar](#)

Earth Sanctuaries Limited. 1996. Annual Report. 30 June.

Environmental Protection and Toxics Agency. 1996. Full cost accounting for decision making at Ontario Hydro. EPA742-R-95-004. 42 pp. US EPA, Washington, DC,

M. Epstein (1996) Measuring corporate environmental performance The IMA Foundation for Applied Research Montvale, New Jersey 303

[Google Scholar](#)

R. Estes (1972) Socio-exonomic accounting and external diseconomies. *The Accounting Review* **47** 284-290

[Google Scholar](#)

M. Fekrat C. Inclan D. Petroni (1996) Corporate environmental disclosures *The International Journal of Accounting* **32** 175-195

[Google Scholar](#)

J. Fletcher W. Adamowicz T. Graham-Tomasi (1990) The travel cost model of recreation demand. *Leisure Sciences* **12** 119-147

[Google Scholar](#)

M. Freedman B. Jaggi (1986) An analysis of the impact of corporate pollution disclosures in annual financial statements on investors' decisions. *Advances in Public Interest Accounting* **1** 193-212

[Google Scholar](#)

M. Freedman B. Jaggi (1988) An analysis of the association between pollution disclosures and economic performance. *Accounting, Auditing and Accounting Journal* **1** 43-58

[Google Scholar](#)

M. Freedman C. Wasley (1990) The association between environmental performance and environmental disclosures in annual reports and 10Ks. *Advances in Public Interest Accounting* **3** 183-193

[Google Scholar](#)

A. Freeman (1993) The measurement of environmental and resource values—theory and method Resources for the Future Washington DC 516

[Google Scholar](#)

G. Gamble K. Hsu D. Kite R. Radtke (1995) Environmental disclosures in annual reports and 10Ks, an examination. *Accounting Horizons* **9** 34-54

[Google Scholar](#)

Glenn S., and Beech. J. 2002. Emissions trading: are you ready? CA Magazine 135:24-29.

R. Goodland G. Ledec (1987) Neoclassical economics and principles of sustainable development. *Ecological Modelling* **38** 19-46

[Google Scholar](#)

R. Gray (1992) Accounting and environmentalism *Accounting Organizations and Society* **17** 399-425

[Google Scholar](#)

D. Greenley R. Walsh R. Young (1981) Option value *Quarterly Journal of Economics* **96** 657-673

[Google Scholar](#)

M. Hanemann (1991) Willingness to pay and willingness to accept *American Economic Review* **81** 635-647

[Google Scholar](#)

N. Hanley R. Wright V. Adamowicz (1998) Using choice experiments to value the environment. *Environmental Resource Economics* **11** 413-428

[Google Scholar](#)

G. Harte D. Owen (1991) Environmental disclosures in the annual reports of British companies *Accounting, Auditing and Accountability Journal* **4** 51-61

[Google Scholar](#)

R. Hines (1991) On valuing nature. *Accounting Auditing and Accountability Journal* **4** 27-29

[Google Scholar](#)

F. Hinterberger F. Luks F. Schmidt-Bleek (1997) Material flows vs. “natural capital” *Ecological Economics* **23** 1–14

[Google Scholar](#)

A. Huizing H. Dekker (1992) Helping to pull our planet out of the red *Accounting Organizations and Society* **17** 449–458

[Google Scholar](#)

International Institute of Sustainable Development. 1997. Measuring sustainable development: a review of current practice. Industry Canada, Ottawa, 124 pp.

K. Jakobsson A. Drägen (2001) The worth of a possum *Environmental and Resource Economics* **19** 211–227

[Google Scholar](#)

D. Kahneman J. Knetsch (1992) Valuing public goods *Journal of Environmental Economics and Management* **22** 57–70

[Google Scholar](#)

D. Kahneman A. Tversky (1979) Prospect theory *Econometrica* **47** 263–291

[Google Scholar](#)

Y. Li B. McConomy (1999) An empirical examination of factors affecting the timing of environmental accounting standard adoption and the impact on corporate valuation. *Journal of Accounting, Auditing and Finance* **14** 279–313

[Google Scholar](#)

Y. Li G. Richardson D. Thornton (1997) Corporate disclosure of environmental liability information *Contemporary Accounting Research* **14** 435–474

[Google Scholar](#)

J. List C. Gallet (2001) What experimental protocol influence disparities between actual and hypothetical state values?. *Environmental and Resource Economics* **20** 241–254

[Google Scholar](#)

P. Little M. Muoghalu H. Robison (1995) Hazardous waste lawsuits, financial disclosure, and investors' interests. *Journal of Accounting, Auditing and Finance* **10** 385–397

[Google Scholar](#)

J. Loomis T. Brown B. Lucero G. Peterson (1996) Improving validity experiments of contingent valuation methods *Land Economics* **72** 450–461

[Google Scholar](#)

Miller, K. R., Furtado J., Klemm C., McNeely J., Myres N., Soule M., and Texton M. 1985. Maintaining biological diversity, the key factor for a sustainable society. IUCN, Gland, Switzerland.

Mitchell, R., and Carson R. 1989. Using surveys to value public goods: the contingent valuation method. *Resources of the Future*, Washington DC, 463 pp.

S. Mobley (1970) The challenge of socio-economic accounting. *The Accounting Review* **45** 762–768

[Google Scholar](#)

Mullen, J., and Menz F. 1985. The effect of acidification damages on the economic value of the Adirondack fishery to New York anglers. *American Journal of Agricultural Economics*. 67:112-119.

[Google Scholar](#)

H. Neill R. Cummings P. Ganderton G. Harrison T. McGuckin (1994) Hypothetical surveys and real economic commitments. *Land Economics* **70** 145-154

[Google Scholar](#)

P. Nunes J. van den Bergh (2001) Economic valuation of biodiversity *Ecological Economics* **39** 203-222

[Google Scholar](#)

Oppong, A., and Cherry D. 1987. Reporting the effects of changing prices: has the experiment failed? *CMA Magazine* 61:50-53.

[Google Scholar](#)

D. Owen (1992) The implications of current trends in green awareness for the accounting function: an introductory analysis. D. Owen (Eds) *Green reporting: accountancy and the challenge of the nineties* Chapman and Hall London 299

[Google Scholar](#)

K. Ramanathan (1976) Toward a theory of corporate social accounting. *The Accounting Review* **11** 516-527

[Google Scholar](#)

A. Randall J. Hoehn (1996) Embedding in market demand systems. *Journal of Environmental Economics and Management* **30** 369-380

[Google Scholar](#)

C. Reither (1997) How the FASB approaches a standard-setting issue. *Accounting Horizons* **11** 91-104

[Google Scholar](#)

R. Ridker (1967) Economic costs of air pollution: studies in measurement Praeger
New York 214

[Google Scholar](#)

Robinson, C. 1993. A deep ecology critique of accounting. York University Faculty
of Administrative Studies Research Papers #20-93. Toronto

J. Rockness (1985) An assessment of the relationship between US corporate
environmental performance and disclosure. *Journal of Business Finance and
Accounting* **12** 339-354

[Google Scholar](#)

L. Rollins A. Lyke (1998) The case for diminishing marginal existence values.
Journal of Environmental Economics and Management **36** 324-344

[Google Scholar](#)

Rosen, L. 1997. GAAP, evaluation and decision-making. *CA Magazine* 130:40-52

[Google Scholar](#)

D. Rubenstein (1994) Environmental accounting for the sustainable corporation:
strategies and techniques Quorum Books Westport, Conn 207

[Google Scholar](#)

Simmons, C., D. Neu, and C. Ruff. 1993. Socially Responsible Reporting. *CGA Magazine*. 27:49–52.

Society of Management Accountants of Canada. 1997. Accounting for sustainable development: a business perspective. Management Accounting Issues Paper No. 14. Hamilton, Ontario, 58 pp.

Solow, R. 1992. An almost practical step toward sustainability. *In* lecture given on the occasion of the fortieth anniversary of Resources for the Future. Later published in 1997, Resources for the Future, Washington, DC.

Statistics Canada. 1997. Econnections: linking the environment and the economy. Cat 16–200-XKE, Ottawa, 26 pp.

A. Wildavsky (1994) Accounting for the environment. *Accounting, Organizations and Society* **19** 461–481

Willis, A. 1997. Counting the costs. *CA Magazine* 130:48–50.

E. O. Wilson (1988) The current state of biological diversity. E. O. Wilson (Eds) Biodiversity National Academy Press Washington, DC 521

J. Wiseman (1982) An evaluation of environmental disclosures made in corporate

World Commission of Environment and Development (1987) *Our common future*
Oxford University Press New York 400

Author information

Authors and Affiliations

**School of Business Management, Ryerson University, 350 Victoria St.
Toronto, Ontario M5B 2K3, Canada**

Vanessa Magness

Rights and permissions

[Reprints and permissions](#)

About this article

Cite this article

Magness, V. Economic Values and Corporate Financial Statements . *Environmental Management* **32**, 1–11 (2003). <https://doi.org/10.1007/s00267-003-2625-2>

Published	Issue date
04 September 2003	July 2003
DOI	
https://doi.org/10.1007/s00267-003-2625-2	

Keywords

[Environmental accounting](#)

[Social responsibility reporting](#)

Search

Search by keyword or author



Navigation

Find a journal

Publish with us

Track your research