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The financial reporting environment

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Abstract

The aim of this study is to determine the financial reporting environment. This type of research is descriptive qualitative research, namely by reviewing and processing data research to get a clear picture of the actual situation, related to problems in research. Sources of data used in research writing is primary data. Environmental accounting is often called environmental management accounting, management accounting environment as the development of environmental management and overall economic performance and implementation of the appropriate environment with the relationship of accounting systems and practices. From the research that has been done, it can be seen that financial accounting is a process that involves the collection and processing of financial information to assist in making various decisions by various external parties of the company, for example in this case investors, potential investors, customers, suppliers, creditors and etc. In general, financial accounting in almost all countries is regulated so tightly, where many accounting standards govern how transactions are recognized, measured and disclosed.

Keywords: Accounting Standards, Economic, Environment, Regulations, Reporting

1. Introduction

Environmental pollution in Indonesia has reached a worrying. The environment is now increasingly polluted by waste generated from industrial activities of factories, hospitals, and hotels. This is what will become encouragement of the establishment of the Environmental Pollution Control Association (APPLI) on December 10, 2008. Hospitals, which are organizations that must be able to provide health insurance to the community, it is appropriate to control the waste that it will have an impact on the spread of disease outbreaks. create an environment that Healthy should be one of the missions of organizations engaged in the health sector. The application of environmental accounting and management is an important should be done.

The implementation of Green Hospital in 2013 became a widely discussed issue. The concept of an environmentally friendly hospital in a hospital is more directed at effective and efficient use of water, efficient use of electrical energy, and environmentally friendly liquid waste management. On the other hand, Green Hospital must pay attention to the existence of good and insightful solid waste management environment. Hospital actions as an effort to preserve the hospital environment so that better, healthier and more comfortable, can be done through the provision of green open space and make the hospital a smoke-free area. This can be created through good management environmentally friendly. Environmental issues have become a world discourse. It shows that the problems caused by the destruction of the environment have reached a high level. This is so concerning that an integrated effort must be made between countries. business committee The International Federation of Accountants (IFAC) is the world's organization of Accountants one of the organizations that pays a lot of attention to the problem environment. IFAC (2011).

2. Literature review

2.1 Management accounting

Pontoh (2013: 2), states that management accounting is an accounting field that provides specific accounting information for decision makers (e.g. managers) within the organization, both financial and non-financial information. The resulting management accounting information does not have to be based on GAAP, but based on assumptions or policies from internal organizations to support the decision-making process of a division within the internal organization.

Mulyadi (2001:2-19), stated that management accounting can be viewed from two angles: accounting management as a type of accounting and management accounting as a type of information.

As one type of accounting, management accounting is an information processing system financial information used to produce financial information for the benefit of the organization's internal users.

2.2 Environmental management accounting

Environmental accounting is often called environmental management accounting, management accounting environment as the development of environmental management and overall economic performance and implementation of the appropriate environment with the relationship of accounting systems and practices. When this includes reporting and auditing in some companies, environmental management accounting in particular involves life cycle costs, full cost accounting, profit assessment and strategic planning for environmental management (Ikhsan, 2009:8).

Environmental management accounting can also be used as a measuring tool in environmental performance. This is because for many organizations, managing environmental costs is a top priority, but the reasons there are two main. First, environmental regulations in countries have increased significantly, even is expected to become more stringent, and the costs of complying may be the main objective. For To meet this objective, the costs for compliance must be measured and the root cause identified. Second, The success of solving environmental problems becomes a collaborative issue. Companies business concludes that business goals and solving environmental problems are inseparable each other (Ikhsan, 2009:8).

2.3 Environmental accounting

Accountants define cost as “an exchange rate, expense, or sacrifice that carried out to ensure the acquisition of benefits (Carter, 2013:30).

In a broad sense, cost is the sacrifice of economic resources, which is measured in units of money, which has been occurs or is likely to occur for certain purposes (Mulyadi, 2014: 8).

Environmental costs are basically related to the costs of critical products, processes, systems or facilities for better management decision making. The purpose of obtaining costs is how to reduce environmental costs, increase revenues and improve environmental performance by pay attention to the current, future and potential management costs.

3. Method

3.1 Types of research

This type of research is descriptive qualitative research, namely by reviewing and processing data research to get a clear picture of the actual situation, related to problems in research. This research was conducted to discuss the Application of Management Accounting and its influence on the hospital financial reports.

3.2 Data source

Sources of data used in research writing is primary data. Primary data that used in this study was taken by conducting interviews with hospital managers and procedures for applying environmental management accounting methods, as well as researchers collecting data systematically directly from the research subject in the form of environmental costs and environmental cost reports.

4. Results and Discussion

From the results of the literature study, there are several things that can make mechanisms such as the conceptual framework and the accounting profession able to produce more objective and reliable reporting. These are then classified based on the components that affect reporting as follows:

4.1 The role of professional assessment in financial accounting

As we have seen from studying accounting, the process involved in generating an account or accounts, is highly dependent on professional judgment. In essence, in the accounting process, accountants in this case are expected to be objective and free from bias when carrying out their duties. The information presented should accurately reflect the transaction events and it should be neutral and verifiable. However, can we really accept that accounting can be forever neutral or objective? Currently, in various places around the world, standard-setters have begun to consider explicitly the social and economic implications that arise in the standards that they will make in the future to be introduced. In line with the objectivity perspective, organizations should choose the best accounting method that can reflect their actual performance. Likewise, the efficiency perspective states that different organizations may choose different accounting methods. Another alternative perspective is the opportunity perspective.

4.2 Overview of developments and regulations of accounting practices

Accounting regulations actually only started to exist at the time of the 20th century. Previously, there was little separation between owners and management of a business entity and most accounting systems designed at that time were more dominantly aimed at owners or managers. In the current century, there has been an increasing separation between owner and management. Actually, the previous double entry system, is similar to the system we are currently using. In the book written by Luca Pacioli, in this system the terms debit-credit system, journals, and ledgers are already known. Before the 19th century arrived, accountants from the United States and England never formed a professional body together.

As stated earlier, because the results of accounting practices have an impact on the decisions made, accounting practices are generally strictly regulated. Even so, the history of financial accounting regulations is still relatively new and before the 20th century arrived, there were still not many regulations that still involved documentation that was commonly used in accounting practices. This research leads to the development and acceptance of the basics of accounting and all accountants in this regard are expected to follow suit. Over time, general principles paved the way for the development of more specific accounting standards. Accounting standards began to be published by various professional accounting bodies around the world around 1970 and standard-setting activity has increased since then. And today's financial accounting practice has generally governed a large number of accounting standards.

4.3 Rationality of financial accounting practice regulations

Documents on the regulation of financial accounting practices that continue with the issuance of new standards or revisions of previous standards have invited various debates between those who support and those who oppose the existence of a regulation in an accounting practice. This argument arises from those who believe that there is no need for a regulation and those who emphasize the importance of the existence of a regulation. Some of the reasons for supporting the regulation, including:

a. The market for information will not be efficient without a regulation that regulates how much information should be produced.
b. Investors need protection against fraud from organizations that may produce and display misleading information, which will lead to an information asymmetry, which cannot be recognized as fraud when used.
c. Regulations lead to uniformity of methods adopted by different business entities, thereby further increasing comparability between companies, so that better decisions can be made.

The reasons for those who dispute the importance of the regulation are:

a. Accounting information is the same as other goods, and people (in this case users of financial statements) will be prepared to pay a certain amount to obtain it and then use it. This will lead to an optimal balance of information by the entity concerned.
b. The capital market needs information, and any company that fails to provide information will be punished by the market, and of course it will be detrimental to the company itself if it tries to eliminate the required information.
c. Regulations basically limit the use of accounting methods that may be used. This means that some organizations are prohibited from using certain methods which they believe are the best in reflecting financial performance and position. This is thought to have an effect on the efficiency and performance that companies report to the market regarding their operations.
d. The existence of regulations will only lead to over-supply of information that will be reported to the public/market.

4.4 There are two theories that explain regulation

Public Interest Theory.

This public interest theory explains that the regulation is carried out to protect the public interest. Regulators are looking for ways to improve the welfare of the wider community.

Capture Theory

Capture theory argues that when regulations are implemented with the aim of protecting the public interest, here usually there are always parties who gain power or control from the regulation. So that the purpose of the regulation which was originally in the public interest has changed to increase the fulfillment of the interests of certain groups.

Although public interest theory states that regulators exist to improve the fulfillment of public interests, there are many arguments against that regulators often use their rights or powers for their own interests. An example is a politician who takes a policy that seems to help improve the fulfillment of the public interest, but basically it is only used as a tactic in a campaign to get more attention from the public.

4.5 The Strengths of Accountants

Many people do not realize the great position of the accountant. A person on this day is considered to have strong power. That's because:

a. Because what the accounting process produces affects many decisions such as the decision whether to choose to invest or borrow funds from creditors, whether to add employees or add machines, and so on.
b. Accountants as providers of information, are considered to have the power to encourage behavioral change of a company.
c. Finally, based on performance (eg profit), accountants can provide an opinion / opinion on the company's financial statements.

4.6 Completeness of Financial Reports

Information in financial statements is valued relative to: The information needs of its users and alternative sources of information, such as economic and industry data, analytical reports, and manager disclosures. Several Categories of Mandatory Financial Statements:

a. Financial Reports: not actually mandatory reports, but are often used to publish company products, services and results.
b. Earnings announcement: First issued before the financial statements. The earnings announcement provides a summary of important information about the company's financial position and performance. for both quarterly and annual periods.
c. Other Mandatory Reports: "e.g. such as Rockey Report & board of directors details, management ownership, management remuneration and stock options for employees, prospectus & audited financial statements, information on proposed projects or stock issues.

Users of financial statements have different information needs, so it is not possible to produce reports that can meet individual needs. Users of financial statements include potential investors, lenders, suppliers, employees, customers, governments and other parties who review or supervise media functions.

5. Conclusion

From the research that has been done, it can be seen that financial accounting is a process that involves the collection and processing of financial information to assist in making various decisions by various external parties of the company, for example in this case investors, potential investors, customers, suppliers, creditors and etc. With so many external parties, of course this will be very potential for the occurrence of significant differences in requests and information needs, and it is impossible to be able to make a financial report that is satisfactory for all parties.

In general, financial accounting in almost all countries is regulated so tightly, where many accounting standards govern how transactions are recognized, measured and disclosed. And all reports generated from the accounting process are of course directly influenced by local accounting standard regulations. When an existing accounting standard changes, or a new accounting standard is issued, it will have a certain effect on existing accounts, including in this case financial statements that will be issued to the public. Ideally, users of financial statements should have a sufficient understanding of various accounting standards, because without knowing these, it will be very difficult to interpret what a financial statement really reflects. With a mechanism such as a conceptual framework program, the accounting profession will be able to give birth to the view or purpose that an accounting report, if prepared perfectly, will produce something that is more objective and will be more reliable.

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