

ESG: FACTORS NEEDED FOR FINANCIAL STATEMENT USERS

Jessica Gunn
MSM Student
Austin Peay State University

Susan R. Cockrell, PhD, CPA, CFE
Austin Peay State University

Abstract

Environmental, social, and governmental (ESG) matters are garnering greater emphasis within the financial accounting arena. The discussions focus on how ESG concerns affect, both directly and indirectly, a company's financial statements. The Financial Accounting Standards Board (FASB) issued an ESG paper (FASB 2021) which provides examples of how the application of current accounting standards can incorporate the effects of material ESG matters. In addition, the International Financial Reporting Standards issued two exposure drafts on sustainability in 2022.

Integration of ESG information is of vital importance to investors, stockholders, and the public. However, the vastness of potential data, the relative importance of varying components of available data, and the understandability of some scientific information means that collaboration of standard-setters is essential. What factors relating to ESG are the most needed, the most valuable, and will provide the greatest level of information to financial statements users? Through an investigation of the literature, and survey of users, this paper will explore this question.

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