



## “A STUDY ABOUT GREEN ACCOUNTING”

**Prathima. K**

Assistant Professor, New Horizon College Kasturinagar

### ABSTRACT

*Responsibility towards environment has become one of the most crucial areas of social responsibility. Recent years have witnessed rising concern for environmental degradation, which is taking place mainly in the form of pollution of various types, viz. air, water, sound, soil erosion, deforestation, etc. Even though Indian corporate comply with the rules and regulations With regard to environmental protection, till now no clear cut policies are framed and formulated at the National, State or even at the company level, for ensuring the level of compliance to environmental norms. This study was intended to find out the major environmental parameters reported by Indian Corporate as part of their Environmental reporting practice. The study also focused on the extent to which Indian Corporate practice, voluntary environmental reporting with regard to the environmental parameters identified. The study developed a model which specifies six aspects to be covered in environmental accounting in order to measure the ultimate environmental performance of the organisation. The aim of this model is to present a novel view of the different activities to be undertaken by organizations to facilitate environmental accounting and reporting.*

**KEY WORDS:** Social responsibility, environmental performance, environmental accounting, environmental Reporting

## **INTRODUCTION**

Green accounting is a type of accounting that attempts to factor environmental costs into the financial results of operations. It has been argued that gross domestic product ignores the environment and therefore policymakers need a revised model that incorporates green accounting. The major purpose of **green accounting** is to help businesses understand and manage the potential quid pro quo between traditional economics goals and environmental goals. It also increases the important information available for analyzing policy issues, especially when those vital pieces of information are often overlooked. Green accounting is said to only ensure weak sustainability, which should be considered as a step toward ultimately a strong sustainability.

It is a controversial practice however, since depletion may be already factored into accounting for the extraction industries and the accounting for externalities may be arbitrary. It is obvious therefore that a standard practice would need to be established in order for it to gain both credibility and use. Depletion is not the whole of environmental accounting however, with pollution being but one factor of business that is almost never accounted for specifically. Julian Lincoln Simon, a professor of business administration at the University of Maryland and a Senior Fellow at the Cato Institute, argued that use of natural resources results in greater wealth, as evidenced by the falling prices over time of virtually all non-renewable resources.

### **History of green accounting**

The term green accounting has been enounced since the 1980s and known as a management tools. The conventional SNA was first started in the USA in 1942. The present situation of green accounting and its most evolved from, sustainable accounting, has been receiving continues attention in the academic accounting literature in the early 1990s the concept started almost three decades ago in the early 1970s with important contributions.

## **RESEARCH METHODOLOGY**

Research methodology is a way to systematically solve the research problem Research methodology used in this study is descriptive in nature. For this study data and information has been collected with the help of books, Magazines, Newspapers, Research articles and E Journal.

## **DATA COLLECTION**

The data was collected from secondary sources. The research methodology adopted is secondary in nature. My research methodology requires gathering relevant data through journals, newspapers, books magazines, conference proceedings and internet, government reports and websites. Also self interpretation is made with the help of collection material. Since the objectives were focused on secondary data, the study relied more on the secondary data.

## **GOAL OF GREEN ACCOUNTING**

Goal of green accounting Is to increases the amount of relevant for those who need or can use it. Relevant data depend on the scale and scope of coverage

## **GREEN ACCOUNTING SYSTEM**

A Green Accounting system is composed of environmentally differentiated conventional accounting and ecological accounting. Environmentally differentiated accounting measures impact of the natural environment on a company in nominal or monetary terms. It measures the impact a company has on the environment, but in physical unit (e.g. Kilogram of waste produced) rather than monetary unit. It is closely related to sustainability.

## **OBJECTIVES OF GREEN ACCOUNTING**

Green accounting is used to increase the amount of relevant for those who need it or can use it. Relevant data depends on the scale and scope of coverage. It is to increase the sustainable development.

### **Scale and scope**

Scale and scope Applicable at different scale of use and scope of coverage Application at an individual process level, a system, a product, a facility or an entire company level. Coverage may include specific costs, avoidable costs, future costs and social external costs. Decision on a scale and scope of application significantly impact ability to excess and measure cost.

## **Types of green accounting**

### **1. Environmental Management Accounting (EMA): :**

Environmental Management Accounting (EMA): Segment Environmental Accounting: to select an investment activity and project. Eco balance Environmental Accounting: to support PDCA for sustainable environmental management activities. Corporate Environmental Accounting; to inform the public of relevant information compiled in accordance with the environmental accounting.

### **2. Environmental financial accounting(EFA) :**

Environmental financial accounting (EFA) Financial accounting with a particular focus on reporting environmental liability costs and other significant environment costs.

### **3. Environmental national accounting (ENA) :**

Environmental national accounting (ENA) National level accounting with a particular focus on national resources stocks and externality costs etc.

## **System of national account (SNA)**

System of national account (SNA) SNA is the set of account which government compile routinely to track the activity of their economic. SNA data are used to calculate major economic indicators GDP,GNP, saving rate and trade balance figure. the system of NA view the relationship between the environmental and the economy free economic perspective only.

## **Standard National Accounts (SNA) framework**

Standard National Accounts (SNA) framework  $NDP = C + I - D + X - M$  Where: NDP = Net Domestic Product C = final Consumption I = Investment (fixed capital) D = Depreciation X = Exports M = Imports Misleadingly used as measure of welfare: welfare not proportionate to consumption of produced goods

## **Rational for environmental accounting**

Rational for environmental accounting GDP and NDP have been key indicator in the economic policy making Use as a measure of economic progress of a country and standard of

living. These traditional measure of economic activity are now recognize as a inadequate as they can't accurately measure the contribution of environment and the impact of the economic activities on environment

### **Environmental cost**

Environmental cost Major challenge in application of environmental accounting a management tool is identifying relevant cost. Cost definition determine by intended use of data.

### **Need of green accounting**

Practically for developing countries like India it's a twin problem about saving environmental and economic developing. As the country economy is not very strong, hence it should be improve first. A study by World Bank estimated the about 34,000 crores were lost by India due to environmental damage Company like AT&T are practically implementing green accounting

### **ADVANTAGES OF ENVIRONMENTAL ACCOUNTING**

- The accounting system helps to detect any leakages spills or any such problems with the operation and process at an early stage, thus reducing the risk of future problem.
- It helps to measure the environmental problem impact of each and every process and operation on the air, water, soil, worker's health and safety and society at large.
- It helps to measure the organization environmental performance.
- It gives an indication of the effectiveness of the environmental management and suggests how it can be improved.
- It provides a database for corrective action and future places it identifies the area where the steps have to be taken to reduce the waste, raw material and energy consumptions.
- The result of the environmental accounting system helps the management to develop its environment strategy for moving toward a greener corporate culture.
- Proper environmental accounting system facilitates proper reporting of the results of environment practices followed by the company. It facilitates communicating environmental performance towards stakeholder which goes a long way in enhancing the corporate image of the organization.

- Environmental accounting leads substance to verify compliance to local, national and international standards or best available techniques as well as company's own standard as stated in company's environmental policy.

### **LIMITATIONS OF ENVIRONMENTAL ACCOUNTING**

- There is no standard accounting method
- Comparison between two countries of firm is not possible if the method of accounting is different
- Input for environmental accounting is not available as the cost and the benefits relevant to environment are not easily measurable.
- Many business and government organization even large and well managed ones don't adequately track the use of energy and material or the cost of inefficient material use, waste management and related issue. Many organizations therefore significantly underestimate the cost of poor environment performance to their organization.
- It mainly considers the cost internal to the company and excludes the cost to the society
- Environment accounting is long term process therefore to draw conclusion with help of it is not easy
- Environmental accounting cannot work independently. It should be integrated with financial accounting which is not easy.
- Environmental accounting must be analysed along with other aspects of accounting because costs and benefits to the environment depend upon the results of financial accounting, management accounting, cost accounting, tax accounting, etc.

The user of information contained in environmental accounting needs adequate knowledge of process of environmental accounting as well as rules and regulations prevailing in that country either directly or indirectly related to environmental aspects

### **So how is India responding?**

India is beginning to recognise that protecting biodiversity and ecosystems is a critical national priority. As a sign of its commitment, India will host the most important meeting relating to the United Nations Convention on Biological Diversity (CBD) — the 11th Conference of Parties (COP-11) — in Hyderabad, during October 8-19, 2012.

The CBD framework emerged from the Rio Earth Summit of 1992 as the most comprehensive international agreement that aims to help protect and sustain biodiversity and ecosystems worldwide of which India is a signatory.

As proud hosts to this important event, India has the opportunity to show the world that it can take the lead and deliver on its commitments to preserving and protecting biodiversity and the ecosystem services it supports. At least this is one step in the right direction.

### **Recommendations**

The findings of the study suggest that the disclosure of environmental related information is mandatory in nature & there should be proper accounting system which determine environmental related costs, liabilities and expenditure and the company should be asked to submit the whole information regarding environmental issues & if the company is not providing the information then action must be taken by regulatory body against the company.

### **Conclusion**

The major issues of environment that directly hamper the environmental performance and they are totally agree that they should pay their duty with their best by providing fully information about environmental related disclosure, but industries provide only less information about the environmental related issues, and also not providing the information related to the environmental expenditure and environmental cost. There is also a lacking of quantitative information, so there should be proper accounting pronouncements from the regulatory authorities & the information related to the environmental expenditure. It has not been mentioned in their annual reports. There is also a lacking of the information about environmental related disclosures in their annual reports. Green accounting takes into consideration environmental resources and changes in them, and integrates the result with the system of national account so as provide a valuable information base for planning and formulating policy for the integrated sustainable development and growth of the nation. Green accounting is in preliminary stages in India and whatever shows in the accounts in this regard is more or less compliance of relevant rules and regulation in the act. Actually, unless common people of India are not made aware towards environment safety, development of this regard is a little bit of doubtful.

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