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GREEN ACCOUNTING

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Abstract:
Green accounting is an accounting system that measures the currently economic losses that are experienced by renewable and nonrenewable resources in the environment. By incorporating these losses into all levels of economic accounting, all parts of the economic sectors can make informed decisions that support long term sustainable development and help strengthen human rights affected. Green accounting will help the organizations to identify the resource utilization and the cost incurred on the eco system by the activities of the industries. This green accounting is a new system in accounting which records costs and benefits rendered by the eco system to a business concern. Green accounting or environmental accounting is a new challenge of accounting system. The present research paper concentrates on exploring the concept of green accounting, its practices and reporting in India.

Keywords: Green accounting, environment protection, International initiative, social responsibility.

I. INTRODUCTION

The term Environmental accounting was used for the first time in the year 1980s by Professor Peter Wood. Environmental accounting or green accounting is a new branch of accounting that aims at accounting for the Environment and its well-being. Although it is a completely new field/branch of study and practice; its soon gaining relevance because of its importance. In addition to merely checking a Company's profit or loss or its revenue and expenses environmental or green accounting is a growing field that focuses or provides for accounting the environmental impact, certain factors may cause to a business or organization. The adoption of Green accounting depicts the commitment an enterprise/organization has towards the environment. It deals with 3 most important factors people, profitability and the planet and also more or less deals with the costs and the advantages or benefits an environment brings to a business concern.

Objectives

- To explain the concept of green accounting.
- To know what are the various forms of environmental accounting.
- To explain the various applications terms and process of environmental accounting.
- To explain the legal framework adopted in India for environmental practices
- To know what are the international initiative in environmental accounting.

II. RESEARCH METHODOLOGY

Research type: Descriptive Research
Data Base: Secondary **Data**/Data source. The present study is based on secondary data; information has been derived from various websites.

Scope of Green Accounting

Green accounting involves estimation of environmental expenditures/cost, capitalization of those environmental expenditures, identification of environmental liabilities and measurement of environmental liabilities.

Environmental expenditures/costs

These are expenses or costs related to environmental measures including production-related costs and product research and development expenditures which are incurred primarily for ensuring protection of environment. Total environmental expenditures can be classified into six categories such as capital investment, operating costs, research and development cost, environment administration and planning, expenditures for remedial measures and recovery measures.

Capitalization of Environmental expenditures

Capitalization of environmental expenditure is justifiable if the cost extends the life, increase the capacity or improve the efficiency or safety of the property owned by the company, the costs mitigate or prevent environmental contamination, the costs improve the property/resource in comparison to its condition at the time of acquisition, the costs are incurred in connection with preparing the property for sale.

Environmental liabilities

Obligation to pay future expenditure to remedy environmental damage that has occurred due to past events, activities or transactions or to compensate a third party that has suffered from damage. It may even include a contingent environmental liability that depends on occurrence or non-occurrence of one or more future uncertain events or to compensate a third party that has suffered from such damage.

Measurement of Environment liabilities

Environmental liability may be a quantifiable one or non-quantifiable one. If it a quantifiable one that is if we can measure its value accurately, give it in the balance sheet otherwise give a footnote explaining the nature of such liability.

Forms of environmental or green accounting

1) Environmental Management Accounting (EMA): Management accounting with a particular focus on material and energy flow information and environmental cost information. This type of accounting can be further classified in the following sub- systems:

- Segment Environmental Accounting: This is an internal environmental accounting tool to select an investment activity, or a project, related to environmental conservation from among all process of operations, and to evaluate environmental effects for a certain period.
- Eco Balance Environmental Accounting: This is an internal environmental accounting tool to support PDCA for sustainable environmental management activities.
- Corporate Environmental Accounting: This is a tool to inform the public of relevant information compiled in accordance with the Environmental Accounting. It should be called as Corporate Environmental Reporting. For this purpose, the cost and effect (in quantity and monetary value) of its environmental conservation activities are used.

2) Environmental Financial Accounting (EFA): It is the Financial Accounting with a particular focus on reporting environmental liability costs and other significant environmental costs.

(3) Environmental National Accounting (ENA): It is a National Level Accounting with a particular focus on natural resources stocks and flaws, environmental costs and externality costs, etc.

The need for environmental accounting at corporate level

It helps to know whether: corporation has been discharging its responsibilities towards environment or not. A company has to fulfill following environmental responsibilities.

- Meeting regulatory requirements or exceeding that expectation.
- Cleaning up pollution that already exists and properly disposing of the hazardous material.
- Disclosing to the investors both potential and current, the amount and nature of the preventative measures taken by the management (disclosure required if the estimated liability is greater than a certain percent say 10% of the company's net worth).
- Operating in a way that those environmental damages do not occur.
- Promoting a company having wide environmental awareness.
- Control over operational and material efficiency gains driven by the competition global market.
- Control over increase in costs for raw materials, waste management and potential liability.

Application Terms and Process of Environmental Accounting

The most general condition for application of environmental accounting into an enterprise is to harmonize enterprise and environment. Minimum conditions that an enterprise must have for application of environmental accounting are mentioned below; Ensuring of support of upper level management Placing of environmental culture Acceptance of the fact that corporation activities damage the environment, Making evaluation of environmental impact at all projects, Providing environmental training to all personnel, Ensuring of integration in the meaning of description about what is measured and why it is required to be measured for. Technology for being able to measure and keep necessary information, Reporting system to explain the performance measurement information required to interest groups., Supervising system to ensure reliability of reported information., In the cases of impossibility of all cost-sharing, demand of acceptance of estimations., Comprehensive description of concepts like environmental assets, debt, contingent liability etc , Other (demand, information and opportunity) After fulfillment of application conditions of environmental accounting, application process is realized. Application process consists of nine stages. These are; (Uğur, 2006, p.60)

• Development of modeling of input-output analysis for usage of material and energy,

• Description and understanding of environmental costs,

Monitoring and reporting of non-financial data belonging to primary material and energy flow at the enterprise., Monitoring and reporting of environmental costs, Adoption of decision making models and approaches being predicated on environmental costs and sensitivity, Usage of advanced technologies for distribution of environmental costs to organization units, process and product costs, Extending of scope of environmental accounting and analysis via lifelong valuation and value chain analysis, Reaching to environmental perfection via external reporting and reporting the evaluation in the given undertaking to interest groups, Undertaking for reaching the target of sustainable development. Understanding of "sustainability" should be together environmental perfection" mentioned in 8th stage. Because environmental perfection are focusing on reduction of wastes and pollution in addition to effective usage of sources, while sustainable development predict on fair distribution of environmental costs and benefits among people and especially surveillance of rights of both today and future generations in addition to this understanding.

III. LEGAL FRAMEWORK FOR ENVIRONMENTAL ACCOUNTING IN INDIA

While industrial licensing has been abolished for all practical purposes, environmental clearance from various government authorities has now taken the center stage. Increasing concern with the protection of the environment and taking anti-pollution measures have become major concern all over the world in the last two decades. India also set up the Central Ministry of Environment with the object of coordinating among the states and the various ministries, the environmental protection and anti-pollution measures. Necessary legislation has also been passed.

(1) The various laws relevant to the environmental protection are as under:

(a) Directly related to the environmental protection:

(1) Water (Prevention and Control of Pollution) Act,1974.
(2) Water (Prevention and Control of Pollution) Cess Act,1977.
(3) The Air (Prevention and Control of Pollution) Act, 1981.
(4) The Forest (Conservation) Act, 1980.
(5) The Environment (Protection) Act, 1986.

(B)Indirectly related to the environmental protecting:

(6) Constitutional provision (Article 51A)
(7) The Factories Act, 1948.
(8) Hazardous Waste (Management and Handling) Rules, 1989.
(9) Public Liability Insurance Act, 1991.
(10)Motor Vehicle Act, 1991.
(11)Indian Fisheries Act, 1987.
(12) Merchant of shipping Act, 1958.

(13) Indian Port Act.
(14) Indian penal Code.
(15) The National Environment Tribunal Act, 1995.

(2) It is important to note that all new projects require environment clearance. This clearance concerns both the Central Ministry of Environment and Forests and the corresponding State Governments department of environment. Guidelines have been announced and all such projects are expected to obtain environmental and anti- pollution clearance before they are actually set up.

(3) The Central Pollution Control Board (CPCB) has also been set up. Wherever cases of violating of standards of water or air pollution have been detected, show cause notices have been issued to industrial units and all such units are being kept under constant surveillance.

(4) According to the Annual Report of the Ministry 1997-98, out of 1551 large and 1261 have installed the requisite pollution control facilities and 165 units are in the process of installing such facilities. 125 units have been closed down.

(5) Accounting Requirement:

(a) A Gazette Notification on Environmental Audit issued by the Ministry of Environment and Forests in 1992 (amended vide notification GSR 386 (E), date, 22- 04-1993), under the Environmental (Protection) Act, 1986 has made it mandatory for all the industrial units to submit an environmental statement to the concerned State Pollution Control Boards, while seeking consent to operate under the relevant environmental norms. The Environment Statements enable the units to take a comprehensive look at the industrial operations, facilitate the understanding of material flows and help them to focus on areas where waste reduction and consequently saving in material cost, is possible.

(b) Indian Companies Act, 1956 requires to include in Directors report environment related policies/problems and annexure details of energy consumption energy conservation.

(c) Cost Accounting record rules for various industries made by the Central Government also require disclosing monetary and quantitative values in Cost Accounting. The central government and state government have passed various statues to contain and control the problem of environmental pollution and ecological in balance

International initiative in environmental arena

In the international arena, work on the design of environmental accounts has been underway since the 1970s. In the 1980s, the United Nations Environmental Program (UNEP), the United Nations Statistical Division (UNSTAT) and the World Bank launched concerned international efforts to build consensus on how the SNA (System of National Accounts) might be modified to include environmental issue. As a result, in 1993, a draft titled Handbook for integrated Economic and Environmental Accounting was published, encompassing the preliminary methodology to be tested and refined. The approach in this document is often referred to as a system of Integrated Economic and Environment Accounting (SEEA). The SEEA tries to integrate the various methods available for environmental accounting into a single framework. This document offers a series of versions or ‘building blocks’ for the construction of accounts beginning with physical accounts and disaggregation of data already included in SNA. It also works towards more complex information such as calculation of depletion and estimation of maintenance costs required for sustainable use of resources. None of the versions of SEEA encompasses the valuation of non-marketed environmental services. UNSTAT, with UNEP and other experts, is preparing a practical manual or Work Book for implementing SEEA. The SEEA is a proposed methodology and does not have official approval of the United Nations. This is to be tested over the years for bringing refinement in the methodology.

IV. CONCLUSION:

Green accounting is the popular term for environmental and natural resource accounting, which incorporates environmental assets and their source and sink functions into national and corporate accounts. The path of environmental protection and vindication of human rights violations has a long fought legacy that has taken on many forms- conventions, institutions, court cases, and even military action. For all this work, the international com- munity still wrestles, more than ever, with the ability to create lasting peace, as well as ensuring human dignity is preserved.

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