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ENVIRONMENT ACCOUNTING: THE ACCOUNTING FOR THE NATURE

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ABSTRACT

Environmental accounting may be a field that's emerging and developing. To incorporate environmental information in the register of an organization is a technique to begin to incorporate sustainable development in everyday business decisions, and in the future, hopefully reduce the impact our society has on the environment. a awfully important function of environmental accounting is to bring environmental costs to the eye of managers, therefore, motivating them to spot ways to scale back and or avoid economic costs associated with the environment, and at the identical time reduce the company's environmental impact. The implementation of a whole and detailed environmental method of accounting may be an extended, complex, highly technical and expensive task. But the scope of environmental accounting will be as complete or limited because the organization decides. One among the characteristics of environmental accounting is that it will be implemented piecemeal. A business can start with a basic environmental method of accounting, where basic environmental costs like waste, water, and electricity usage are differentiated in the book of account, and using this newly highlighted information, production processes is optimized. In future stages, once the primary positive results are obtained, more complex environmental costs is included. The number of accessible literature in the field of environmental accounting is increasing rapidly, particularly in the recent year, At the identical time, case studies are being published during which environmental accounting systems are implemented. Therefore, producing a document that summarizes the foremost important problems with environmental accounting would be valuable. Most of those studies focus on the idea of environmental accounting, on environmental costs, and their valuation and on case studies for big companies. However, little or no of has been written about environmental accounting in Indian public and personal sector companies or about practical and simple steps for implementing environmental accounting. As a consequence, focusing comprehensive on this can be one in all the objectives of this text.

KEYWORDS: *Environment, Industrialization, Accounting, Influences, Information, Technical Expertise.*

Introduction

These days, protection of environment has become a key issue everywhere the globe. Several factors and forces are to blame for destruction of environment. Of these, growing hazardous industrialization could be a major culprit. Environmental accounting may be a useful and sometimes necessary tool to be told more about the influences of environmental input/output of a company's activities on its bottom line and on the natural environment. Environmental accounting has become vital during the recent past. This wasn't necessarily the case a decade ago when environmental accounting was normally only a footnote on the year-end report. Today, in some companies, it's become an integral a part of financial reports. Additionally, companies and other organizations are required to possess accountability to stakeholders, like consumers, business partners, investors, employees, local residents, and administration, when utilizing environmental resources, i.e. public goods, for his or her business activities. Consequently, environmental accounting helps companies and other organizations boost their trust and confidence and are related to receiving a good assessment.

The Responsibility of Corporates v/s Environment

It is believed that corporations are to blame for the environmental crisis then they must buy this. However, reporting is usually guided by standards guidelines etc. and that we don't have any standards designed for such disclosure. So, such reporting remains voluntary that has no specific format and

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elegance. Voluntary disclosure often ends up in non-disclosure and mandatory disclosure ends up in minimal disclosure. Thus, environmental disclosure should have both kind of orientation, because it may be a question of life and sustainability. Environmental Reporting or Environmental journalism is the collection, verification, production, distribution and exhibition of data regarding current events, trends, issues and people that are related to the non-human world with which humans necessarily interact. To be an environmental journalist, one must have an understanding of scientific language and practice, knowledge of historical environmental events, the power to stay informed environmental policy decisions and therefore the work of environmental organizations, a general understanding of current environmental concerns, and therefore the ability to speak all of that information to the general public in such some way that it is easily understood, despite its complexity. One amongst the many buzzwords emerging out of the globalization and privatization paradigms of the 1990s has been corporate social responsibility. Consumers now-a-days expect firms to satisfy high health and safety standards for workers, respect human rights, protect the interests of consumers and meet environmental standards irrespective of where they operate. Therefore, it's expected that companies provide relevant information about their environmental performance and policies, along with management systems operative to support them, commonly referred to as triple bottom line reporting. It's going to appear that greater attention to environmental matters may cause a rise in costs and hence lower profits. But environmental reporting choices may influence the way stakeholders interpret the financial performance of a firm, enhancing investor confidence resulting in a lower cost of capital, leading to an increase available valuation multiples, enhancement available liquidity and a rise within the interest of institutional investors. As business organizations compete within the global economy, they need to do so within the constraints of a society that features ever-increasing environmental accountability.

Of late Indian companies have faced strong international competition over the past few decades, especially after the opening of the Indian economy in the early 1990s, as international competitors tried to ascertain their footholds in India. These international firms are disclosing non-financial information including environmental information resulting in an enhanced expectation from Indian companies to act responsibly towards the environment and be accountable to the society beyond the normal role of providing financial account to the shareholders. Hence, to boost corporate image concerning socially responsible behavior, it's expected that an increasing number of Indian companies will report their environmental performance and social issues. However, most of the available literature in relevance environmental performance reporting has focused on developed countries and small attention has been given to the state of environmental reporting of developing countries.

Environment Accounting – An Expanded Branch of Accounting

The communication is usually in the kind of financial statements that shown in monetary terms the economic resources under the control of management. It's the branch of mathematical science that's useful in discovering the causes of success and failure in business. Accounting is an ancient art, certainly as old as money itself although the art must are rudimentary in the beginning. Chanakya in India clearly indicates in his Arthshastra, the existence and also the need of proper accounting and audit. Basically Accounting is the language of business; Affairs of business unit are communicated to others additionally on people who own, as associated or manage it through accounting information which needs to be suitably recorded, classified, summarized and presented. Today, accounting is named "the language of business" because it's the vehicle for reporting financial information a few business entity to several different groups of individuals. Management accounting is anxious primarily with providing a basis for creating management or operating decisions. Accounting that has information to people outside the business entity is named financial accounting and provides information to potential shareholders, creditors like banks or vendors, financial analysts, economists, and government agencies. The body of rules that governs financial accounting is named Generally Accepted Accounting Principles, or GAAP.

Environmental protection has become a key issue everywhere the planet nowadays. Several factors and forces are accountable for destruction of environment. Of these, growing hazardous industrialization may be a major culprit. Though swift industrialization is an important perquisite for overall economic process, yet it's damaging the environmental drastically, pollution, pollution, solid and waste material pollution and other environmental contamination are common in many production process- Every company encompasses a overriding responsibility to create the fullest possible use of its resources both human and material. The problem of environmental responsibility and also the sustainable industrial development has born to new branch of accounting i.e. environmental accounting and reporting. Environmental accounting is comparatively a recent entrant in the domain of accounting. It's process of identification measurement and communication of knowledge in the environmental responsibility performance of an entity to allow economic decision. Environmental accounting is crucial for a company implementing the concept of sustainable development because it facilitates to require into consideration ecological activities of a company in economic measurement. The economic development without environmental considerations can cause serious environmental damage. This can be successively daggering the lifetime of present likewise as future generations. The primary environmental accountings were constructed by Norway in the 1970s and were only so lowly adopted by other countries. Although, environmental accounting and reporting is voluntary exercise in India, the organization that value more highly to disclose environmental issues in their statements get various benefits like improved image of the merchandise or company.

Objectives of Environmental Accounting

Environmental Accounting is required to meet plenty of demands from different stakeholders. However, for educational reasons, the subsequent basic objectives are often identified on the logical ground:

- Environmental accounting would aid the discharge of the organization's accountability and increase its environmental transparency,
- It helps negotiation of the concept of environment and determines the company's relationship with the society normally and also the environmental pressure particularly. This helps a corporation seeking to strategically manage a replacement and emerging issue with its Stakeholders,
- Due to the moral investment movement, ethical investors require the businesses to be environmentally friendly. Therefore, by upholding friendly image, companies could also be successful in attracting fund from 'green' individuals and groups,
- Environmental accounting consumerism movement launched by the environmental lobby groups encourages the consumers to get the environmentally friendly products, i.e., green products. Companies, thus producing green products may take competitive marketing advantage by disclosing the identical,
- By making environmental disclosures, companies may show their commitments towards introduction and alter and thus appear to be conscious of new factors,
- Companies engaged in environmentally unfriendly industries arose strong public emotion. There's a robust environmental lobby against these industries.
- Green reporting is also wont to combat potentially negative public opinions,
- By cultivating the enlighten approach of environmental accounting, companies can increase their image of being enlightened to the surface world and this, may be thought to be enlightened companies.

Environmental Accounting Approaches

Two approaches are adopted in Environmental Accounting. Firstly, the Physical Approach was suggested by the United Nations where an entire guides to be prepared indicating the available resources within a rustic classified consistent with its state and uses (for instance, agriculture, desert land etc). Looking on this approach the environmental operations are presented during a physical terms, this balance of the resource and therefore the additions and deductions from that resource. No cost is assigned in step with this approach. Then, the monetary approach emerged due to the very fact that the Physical Approach doesn't fulfill the necessities of the Environmental Accounting. Nevertheless, the physical approach is incredibly important to urge physical information about the resources which enables to organize the environmental statistics and is taken into account the primary step in the Monetary Approach. Despite the difficulties related to the monetary approach, it gained plenty of interest per se data will enable to understand the profit and loss related to environmental operations and to induce an environmentally adjusted economic indicator. Let's have a discussion about both the approaches very well.

- **Monetary Environmental Management Accounting (MEMA):** Although monetary environmental management accounting (MEMA) is extremely important for successful management, MEMA is intended for internal use; it's normally voluntary and isn't needed for external stakeholders. If MEMA is performed correctly, it'll be the bottom for financial accounting, environmental management systems like ISO 14000, and other environmental performance evaluations. In MEMA, environmental costs are recorded in several accounts from no environmental costs. New accounts are regularly created to present direct costs of every environmental impact, in a very way that different environmental costs of every process is easily distinguished. As an example, direct cost of waste reduction, the consumption of staple, or labor and energy costs must be accounted separately.

- **Physical Environmental Management Accounting (PEMA):** Physical environmental management accounting (PEMA) is employed to see the extent of the environmental impact produced by the corporate. Physical data are important when the corporate has set targets to cut back emissions, waste, use of materials, etc. Managers generally find measuring physical quantities easier when monitoring progress towards achieving targets. Examples would include: recording the amount of greenhouse gases emitted; the toxic emissions of an incinerator; and releases of a cleaning facility or sewage plants, heaps of wastes generated etc. The information produced in PEMA will be employed in other ways, as an example, it will be used for C02 equivalent trading, which may produce extra income for the corporate. In other cases, it is accustomed determine pollution levels, better positioning the corporate for potential new regulations. Additionally, it may be utilized by some companies to regulate environmental impact; as an example, when sustainable development policies are in place.

Environmental Accounting Related Issues

Environmental issues can have a bearing on financial statements prepared on an accounting in many ways. There are international accounting standards, which address the overall principles for the popularity, measurement and disclosure of environmental matters during a financial report (IAS-37). The introduction of environmental laws and regulations may involve an obligation to acknowledge impairment of assets and consequently a desire to write-down the carrying value. A failure to place legal requirements concerning environmental matters, like emissions or waste disposal, may require accrual of remediation works, compensation or legal costs. For instance a failure to accommodate pollution control laws may result in fines and penalties for an entity. For instance, energy costs are considered an environmental cost because the use of fossil fuels may be a source of dioxide and pollution. Some entities may have to acknowledge environmental obligations as liabilities within the financial statements. As an example, obligations related to solid waste landfill closure and aftercare and restoration obligations related to mining operations.

Environmental AccountingIssues	Proposed Solutions
Definition of Environmental costsand expenses	Environment costs that don't cause future expected benefits.
Environmental costs recognitionand measurement issues	Materiality, measurability and certainty
Capital problem or revenue allocation	Capitalize if it's intended to stop or reduce future environmental damage or to conserve resources
Capitalization of environmental costs incurred subsequent to the acquisition of a capital asset	Capitalize either (i) if the prices ends up in a rise in expected future economic benefits or (ii) if the prices are considered to be a value of expected future benefits
Accounting for futureenvironmental expenditure	Where an entity includes a legal obligation to incur future costs, the prices involved represent an environmental liability.
Accounting for the impairmentdisclosures	Reduce the carrying amount of assets instead the of introduce a liability the
Environmental accounting policydisclosers	All significant accounting policies referring to financial statements items to be disclosed.

An entity may have to disclose a possible environmental obligation as a contingent liability where

- The possible obligation depends on the possible occurrence of a future event, or
- The amount of this obligation can't be reasonably estimated, or
- An outflow of resources to settle the duty isn't probable.

In the course of meeting the relevant principle requirements, some additional disclosures within the notes to the financial statements is also required.

Conclusion

A need for specified budget allocation for the environmental accounting and reporting has been indicated both by public and personal sector Indian companies. Therefore both have emphasized specific budget allocation for the environmental accounting and reporting. Both the public and personal Indian companies have similar opinion about the assorted environmental costing approaches in step with order of importance and similarly. No difference of opinion of public and personal sector Indian companies is found about the importance of environmental auditing. However majority of the public and personal sector Indian companies don't want to possess a separate audit department for environmental accounting and reporting because it might raise the operational coast and complications in its implementation. An oversized number of the public and personal sector Indian companies failed to favour the adoption of norms of ISO 14001 for disclosure of environmental accounting and reporting in the public sector companies. Majority of the general public & private sector companies also felt a robust need for the separate presentation of environmental activities in the financial statements. In regard of bringing about more stringent legislation to facilitate corporate activities by the government for Environmental Accounting and reporting both the public & private companies have agreed. It absolutely was also observed that companies in India don't provide environmental information because the disclosure may jeopardize confidentiality in the sensitive areas and thereby, may adversely affect their competitive position.

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