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GREEN ACCOUNTING AND ITS IMPORTANCE

Jyoti Kumari*

ABSTRACT

Green Accounting is a holistic branch of accounting which considers environmental costs in the financial results of the operations. The main objective of green accounting is to assist businesses to understand environmental goals are as important as financial goals. Green accounting is a controversial subject. Depletion might get accounted but pollution is one factor of business that is not accounted specifically. Green accounting has become necessary for corporations to formulate methods of green causes for present and future. This will also help in deciding pollution limits, permitted emissions, maximum permissible use of non-renewable resources and dependency on renewable resources. For the progress of organizations' performance as environmental, implementation of green accounting system is important. It plays a big role in Corporate Social Responsibility (CSR). The research paper concentrates on the concept of green accounting and its importance.

***KEYWORDS**: Green Accounting, Environmental Goals, CSR.*

Introduction

Green Accounting is a holistic branch of accounting which considers environmental costs in the financial results of the operations. The term 'Green Accounting' used first time by Prof. Peterwood. It is also called as Environmental Accounting. It is a new branch of accounting and getting relevance soon because of its importance. Most of the times, the organizations fail to take into consideration that the activities carried on by them may eventually deplete the natural resources and also pollute the environment. Green accounting is not made compulsory by the government. Green accounting is a controversial subject. Depletion might get accounted but pollution is one factor of business that is not accounted specifically. SEEA (System of Environment Economic Accounting) is used in green accounting, which focuses on the depletion of scare natural resources and also measures cost of environment degradation along with its prevention. The main objective of green accounting is to assist businesses to understand environmental goals are as important as financial goals.

Implementation of green accounting is yet difficult in India because of lack of information to stakeholders regarding the additional cost expenditures and effects of implementation. Companies generally consider on internal cost which directly affect the final accounts but external cost as environmental cost, social cost etc. are often ignored. Companies must make consideration on external factors for carefully and efficiently use of scare resources. Green accounting has become necessary for corporations to formulate methods of green causes for present and future. This will also help in deciding pollution limits, permitted emissions, maximum permissible use of non-renewable resources and dependency on renewable resources. For the progress of organizations' performance as environmental, implementation of green accounting system is important. It plays a big role in Corporate Social Responsibility (CSR).

Objectives of Green Accounting System

The objectives of green accounting system are as follows:

- To recognize the defensive expenditure, that part of GDP which reflects the necessary cost to compensate for negative impacts of economic growth
- To establish the linkage of physical resource accounts with monetary environmental accounts

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* Assistant Professor, Department of ABST, Government PG Girls College, Chittorgarh, Rajasthan, India.

- To assessment of environmental costs and benefits
- To accounting for maintenance of tangible resources
- To elaborate and measurement of environmentally adjusted product and income indicators

Objectives of the Study

- To know about the concept of green accounting
- To understand the importance of green accounting
- To know about various form of green accounting

Review of Literature

Yajhou and Doreweiler, (2004), in this study it is observed that the business policy and environment policy have been combined, and taken into consideration to a large extent. Two major objectives of this study have been that the government led incentive-based regulation and public's consideration. The study also discussed the environmental policy along with the business's strategy. The companies whether big or small have to soon come up with a framework within, which it would operate its business strategies towards environmental accounting.

Gray Otte (2008), 'GHG Emissions Accounting' in this article, it is mentioned that if company adopted green accounting there are certain internal and external benefits. By implementing the CHG process there would be development in the communication process between the firms and the suppliers which would lead to reductions in the costs. It is also concluded in this article that green accounting has some limitation and barriers but there are certain ways through which the company can overcome these barriers.

Heba and Yusuf, (2010) in their study, observed the concept based on environmental accounting and explored environmental reporting techniques. The author observed that there is a parallel increase in measuring the environmental performance as the need for environmental accounting increases. Environmental reporting helps companies to become more aware of their CSR.

Lehman (2011), in this study the author explains about Interpretive Accounting Research (IAR). IAR's main objective is to understand how the accounting discipline might help in overcoming issues related to global warming and sustainability considerations. It is also depicted by the author that how interpretive accounting research allows people to rethink the structure and strategies towards the natural world.

Harazin (2011), 'Relationship between Environmental Accounting and pillars of sustainability' in this article the author explained the challenges regarding sustainable development. The objective of this study was to find out and come to a conclusion whether the social and integration point of view is outside of environmental accounting concept. It is concluded after various literature reviews and primer researches that environmental accounting cannot be beyond social and integration challenge of sustainability and hence it can be related to pillars of sustainability.

K. Kanak Raju, (2018) studied on 'Green Accounting Practices', in this study it is observed that the practices of environmental accounting in India have not been widespread. For companies, state and national reporting level there is no clarity and transparency regarding policy framework. It is concluded in this paper that only one fifth of performance of environment was explained by the various green accounting parameters, amongst the parameters the green accounting corporate sustainability was a more favorable parameter to measure the environmental performance.

Rajshree and Sravani studied on 'Need of Green Accounting'; in this article, a case study of AT&T has been observed. It is concluded in this article that green accounting is necessary in business concern to place value on environmental resources. Environmental accounting is not easy for all business concerns because the main problem with GDP is that it includes only goods and services that are exchanged on the market and many environmental resources do not have a market price.

Research Methodology

Type of research- Descriptive Research

Source of Data Collection: The present study is based on secondary data. Secondary data have been derived from various websites and journals.

Forms of Green Accounting

- **Environmental Management Accounting(EMA)**

Management accounting with a particular material and energy flow information and environment cost information. This accounting can be classified in Segment Environmental Accounting, Eco Balance Environmental Accounting and Corporate Environmental Accounting.

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

- **Environmental Financial Accounting (EFA):** This is the financial accounting which focuses on reporting of environmental liability costs and other significant costs related to environment.
- **Environmental National Accounting (ENA):** This is a national level accounting with a specific focus on natural resources stocks and flaws, externality costs and environmental costs.
- **Need of Environmental Accounting at Corporate Level**

This type of accounting helps to know whether corporation has been discharging its responsibilities towards environment or not. A company has to fulfill these following environmental responsibilities:

- Meeting regulatory requirements or exceeding that expectation
- Properly disposing of the hazardous material and cleaning up already exists pollution
- Disclosing the amount and nature of the preventative measures taken by the management to the investors
- Operating in a way that those environmental damage 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

Importance of Green Accounting

GDP growth has become nearly every nation's default measure of progress. For India, its deceleration gross domestic product continues to form headlines and is that the subject of a lot of discussions. Amid issues from the Government, the community and voters on what impact external events like the evolving European sovereign debt crisis could wear India's growth and jobs, it would even be the right time to require a flash and mirror on India's economic journey over the last decade, and raise whether or not the exceptional gross domestic product growth has been a real measure of the nation's wealth and a lot of considerably, its economic property. Like all rising and growing economies, India is facing a catch-22 situation, On the one hand, there's pressure to keep up gross domestic product growth as this is often the perceived foundation upon that the longer-term economic security of its growing population is predicated, however conversely, India should additionally take into thought the prices of development and not self-cannibalize it's made natural capital wealth and imperil the terribly way forward for the people it's attempting to secure. Over-reliance on the gross domestic product as a measure of economic health is often dishonest. As noted way back by gross domestic product measures the worth of output created inside a rustic over a particular period.

However, any depreciation measurements used can account just for manmade capital and not the negative impact of growth on valuable natural capital, like water, land, forests, diverseness and also the ensuing negative effects on human health and welfare. For India, there's a lot to lose if action isn't taken to preserve its natural setting. Its wide selection of climate, earth science and culture create it distinctive amongst biodiversity-rich nations. Diverseness is associate degree improbably valuable plus. It's the underlying foundation of the earth's ecosystems, the variability and abundance of species that inhabit them and also the variability and variety of genetic material found inside them. It provides various edges, from food and fuel to services like fresh, soil fertility, control, impregnation of crops and carbon sequestration by forests that are crucial to each environmental and human well-being. To the present finish, diverseness loss doesn't solely mean the loss of species, however additionally the loss of scheme functioning. Although India's economic process is just too been spirit, the double-digit, GDP fixation is threatening India's diverseness and ironically, its long-run growth and security. Livelihoods are lost, impoverishment inflated, food security vulnerable and health risks raised. Today, annual economic prices of pollution, contaminated water, soil degradation, and deforestation are calculable to be about ten per cent of India's gross domestic product.

Better economic science and social group indicators are required to mirror the contribution of diverseness and scheme services to human well-being. One approach that's gaining momentum across the world is "green accounting" whereby national accounts are adjusted to incorporate the worth of nature´s product and services.

Advantages of Green Accounting

- It helps in pollution control.
- Green accounting is plays a vital role in sustainable development.
- Green accounting assist in projection cost estimating life cycle in the environment as well as product circulation, administration form environmental practices.
- It helps also in assessing, testing and reporting performance of environmental activities.

Limitations of Green Accounting

- There is not standard accounting method of green accounting
- If method of accounting is different, comparison between countries or firms is not possible
- It mainly focuses on internal cost of the company but excludes cost to society
- Costs and benefits relevant to the environment are not measurable easily so input for green accounting is not easily available
- Initial cost of its tools and application is high

Conclusion

Green accounting has become necessary for corporations to formulate methods of green causes for present and future. This will also help in deciding pollution limits, permitted emissions, maximum permissible use of non-renewable resources and dependency on renewable resources. For the progress of organizations' performance as environmental, implementation of green accounting system is important. It plays a big role in Corporate Social Responsibility (CSR). India is being a big country, heavily burdened with overpopulation, global warming, pollution, exhaustion of natural resources and many more environmental hazards. It is essential to implement green accounting to save and salvage the country. Although there are many limitations to implement green accounting but there are many advantages also.

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