

ENVIRONMENTAL ACCOUNTING: AN OVERVIEW

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Abstract:

Environmental accounting is an emerging concept of accounting which is requirement of today's corporate world .environmental accounting is an incorporation of economic and environmental information in books of accounts. Now- a-days people are much more concerned about environment protection. There is a set of regulations an and guidelines drafted by the government to be followed by corporate. Companies and organizations are forced to adopt this new accounting as to comply with environment regulations and to build a good image among public.
***Purpose of the study** The purpose of the study is to analysis the meaning, need and role of environmental accounting.*

KEYWORDS:

Environmental accounting,environment protection,regulations,cost of environment detriment, responsibility of corporates towards environment.

INTRODUCTION

- ❖ Why do we measures of environmental well-being?
- ❖ Does contribution of environment in economy have any place in a balance sheet?
- ❖ Is it possible to measure the cost of the use of the environment /depletion of natural capital?

This article will focus on above questions and try to find their relevant answers.

During 1998, the environmental accounting was taken into account as a new field in accountancy by intergovernmental work group ISAR (United Nations Inter governmental working group of experts on international standards of accounting and reporting). ISAR and IAPC (International Auditing Practices Committee) both have been putting efforts to formalize a set of audit standards for securitization of environmental performance reported on accounting statements.

Basically the group of ISAR and IAPC emphasizes the need of environmental accounting to cover following objectives:

- Assistance of professionals in other field of knowledge
- Provide the information system to prepare internal control to financial accounting with relevant information on environmental aspects

MEANING OF ENVIRONMENTALACCOUNTING

Environmental Accounting is an emerging branch of accountancy which helps measure environmental performance and it is closely related to social responsibility played by companies. Environmental accounting tries to show corporates” interest and their responsibility along with measuring and managing environmental cost and revenues.Basically Environmental accounting focuses to

Please cite this Article as : Yashpal and Poonam, “ENVIRONMENTAL ACCOUNTING: AN OVERVIEW” : Tactful Management Research Journal (June ; 2014)

incorporate the economic and environmental information together in books of accounts.

NEED OF ENVIRONMENTAL AND NATURAL RESOURCE ACCOUNTING

A country like INDIA where population is increasing rapidly, protection of environment is top concern. India as a member of the United Nations and the other international organizations ENVIRONMENTAL PROTECTION has emerged as top concerned issue. Corporates and Organizations exploit natural resources and contribute to pollution of land, air, and water. These enterprises are responsible for rapid changes in environment which is not favorable for mankind. Corporates have been increasing their empire day by day at the cost of environment. But the roles of news, media and social media have been increased which result in much aware and updated general public. Customers also curious to know about their respective companies in field of social responsibility. In this competitive world even enterprise wants to be ahead from another without any break in flow of profits, to achieve the same today corporate need to build up and maintain a good image in the eyes of consumers and general public. That is why these corporates are willing to compensate the loss or damage of environment which is the result of their ethical/unethical commercial activities.

Now big groups accept their responsibility for detriment of environment and disturb the ecosystem. Production houses pollute the country's air and water, and huge quantity of scrape results in land pollution. Establishment of many industries and their operations cause a large reduction in greenery area. The major reasons for destroying green lands are need of land to construct building, factories and to fulfill the requirement of wood. Enterprises, therefore want to compensate this loss but problem arises that how to measure the accurate cost of detriment of environment. This is a challenge for accountants that leads to requirement of skills of professionals like environmental scientists who are more able to estimate accurate cost of environmental damage.

Environmental accounting enables companies to show cost of environmental impacts due to commercial activities, but efforts of environmental scientists and considerable research are required to increase accuracy of estimating the cost of environmental loss. Accuracy of cost can be achieved by clarifying the environmental impacts caused by extraction of natural resourcing and processing, sales, distribution use and disposal.

Environmental accounting can force companies and organizations to invent innovative solutions that will help further to change the methods of material processing to avoid resource constraints and to compliance with regulatory requirement.

UNITED NATIONS AND ENVIRONMENTAL ACCOUNTING

Growing pressures on the environment and increasing environmental awareness have generated the need to account for the manifold interactions between all sectors of the economy and the environment. Conventional national accounts focus on the measurement of economic performance and growth as reflected in market activity. Since sustainable development includes economic and environmental dimensions, it is essential that national accounts reflect the use of natural assets in addition to produced capital consumption.

In 21st Agenda of the 1992 United Nations Conference on Environment and Development (Earth Summit) in Rio de Janeiro, the United Nations Statistics Division (UNSD) published in 1993 a Handbook of National Accounting entitled Integrated Environmental and Economic Accounting.² The handbook was based on numerous approaches to environmental accounting, pioneered in a series of workshops by the United Nations Environment Programme (UNEP) in collaboration with the World Bank. However, the discussion of concepts and methods has not come to a final conclusion, and the United Nations handbook and its System of Integrated Environmental and Economic Accounting (SEEA) were therefore issued as an interim version of work in progress.

The System of Environmental-Economic Accounting (SEEA) contains the internationally agreed standard concepts, definitions, classifications, accounting rules and tables for producing internationally comparable statistics on the environment and its relationship with the economy. The SEEA is a flexible system in the sense that its implementation can be adapted to countries' specific situations and priorities.

Coordination of the implementation of the SEEA and on-going work on new methodological developments is managed and supervised by the UN Committee of Experts on Environmental-Economic Accounting (UNCEEA). The Environmental-Economic Accounts Section of UNSD is the Secretariat to the UNCEEA.

SCOPE OF ENVIRONMENTAL ACCOUNTING

Environmental accounting is a critical step in developing true costs for products and services and will require a long-term and extensive multidisciplinary effort involving environmental and agricultural scientists, ecologists, fishery managers, farmers, ranchers, entomologists, naturalists, and accountants. Developed countries can make a contribution to improved environmental accounting around the world by developing a more aggressive campaign to require environmental accounting that meets or exceeds current European standards. Much more basic research on ecosystem function is also critically needed. It is not expensive, but it does take time. Virtually every ecosystem in the world is poorly understood. Research is needed on individual species, communities, ecosystems, and landscapes and must include not only protected areas and conservation lands, but also actively managed and productive forests, agro ecosystems, and developed lands.

CONCLUSION

Corporates were benefiting themselves by using natural resources but ignored natural capital depletion. Corporate measured the benefits of the use of the environment but not the costs. As we know concern for environment has been increased all over the world which forces the corporates and organizations to take needful actions. Environmental accounting is one result of these actions. Estimated cost of environmental damage is used to protect environment and minimize their impact on environment. Although there is still much more to be done in this field.

To represent good image now some companies spend considerable amount of their income on protecting the environment and show the same as environmental accounting in their financial statement.

The fundamental premise behind environmental accounting is that organizations should internalize environmental cost. But currently, these costs are externalized which means that society bears the impact of organizations' adverse activities on environment. It is believed that once organizations are made accountable these costs, they would be compelled to minimize the potentially harmful effects of such activities. Further environmental accounting needs corporates to forecast the potential environmental impact of their activities and accordingly estimate contingent liabilities and create provisions for environmental risk.

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