

Environmental Accounting – A New Challenge for the Accounting System

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Introduction of Environmental Accounting :

Today in world property each country Against the Natural Resource , Energy , Minerals , Forests , herbs, Oil, Rain, Port Facilities of Their own country to be used to Develop a more efforts. Industrialization Decades as a Result of Increase is to be Established .Industrialization Decades as a Result of increase is to be Established .Industrialization natural Resource wealth and the wealth of the used provides non manmade. The Valuable National Property natural Recourse wealth can also be computed. So they denied Liability not possible .

Society and the Business unit runs smoothly . so it's Natural Environment good or bad Effects on the Environment . It should be Accountable and what steps we should take to avoid the worst effects of all parties should tell . Society environment and Natural Resource wealth Revenues, Expenses, Estimates , Depreciation , Property of the note, Spreading them assess Measures to Prevent pollution and Its launch should be in the account books

Scope of Environmental Accounting

1 Concept of national income: Natural wealth is owned by the nation. And hence to know the National

Income environmental Accounting is very useful. the show the contribution of the various groups of

Society in Environmental accounting , the concept of value added statement is also useful here.

2 Depreciation of nature wealth : Natural wealth reduces with its use (i.e. Minerals) so scope of

Environmental accounting also indicates the provision of Deprecation

3 Mention in National balance sheet : Natural wealth is a very valuable assets of the nation .so it is

Necessary to mention it in the national balance sheet

4 Valuation of Natural Wealth : Natural wealth reduce with its use. Though the large value of natural

Wealth is under the earth .It is very difficult to precisely value it. Still it is necessary to get at least its

Approx. valuation

5 Concept of Expenditure: To use the natural wealth in the best possible manner, it is necessary to do

Certain Expenses .for example to use water certain expenses of getting it and purifying it are necessary.

These Expenses are Distributed in two types :

(A) Revenue Expenditure

(B) Capital Expenditure

6 contribution in Industrial Development: Natural wealth is very important in industrial Development

Because all the industries in the nation use the Environmental Resource in one or another way. So the

Valuation of its contribution in Industrial Development is also important .

7 Environmental Contribution: The production process of the business affect natural resources in one or Another manners, some positive and some negative effects are obvious on environment .

For example pollution of water and air, erosion of land, noise etc. so the production process should be designed in such a way that it effect the Environment in the least possible maner.

8 social Upliftment: Environment and the society are related with each other very deeply .use of Environmental and natural resources affects the health of the people of the society . pollution attracts The dieses. so the better use of the environmental resources strengthens the health of the nation .

Utility of environmental Accounting

1 To measure the effects on the profit : Industrial units the environmental resources in one or another manners in its production process. So by measuring its effect on production the correct profit of the Business can evaluated.

2 To Decide the Expenses and Income : To Protect the Environment the government has to incur certain. And on the other side it also gains Revenue from Environmental Resources .to know the Expense and such Revenues, it is very necessary to use Environmental Accounting.

3 Valuation of natural Wealth : Natural Wealth reduces with its use .though the large value of natural Wealth is under the earth. it is very difficult precisely value it. Still it is necessary to get at least its Approx valuation. Environmental accounting includes such valuation

4 To show in National balance sheet: Natural wealth is a very valuable assets of the nation .so it is Necessary to mention it in the national balance sheet .Environmental accounting helps in valuing the Remaining assets after Deprecation to show in the balance sheet

5 To take corrective steps : Environment and the society are related with each other very deeply .Use of The environmental and natural resources affects the health of the people of the society

For example pollution of water and air, erosion of land, noise etc. Environmental accounting is useful To reduce such pollution and helps us to take corrective steps.

6 To take the economics and investment decision : Environmental accounting is very useful in taking The decision regarding economy and investment . Environmental accounting helps government, Public, Individual and corporate to take the correct economic and investment decision.

7 For rapid growth of economy: we known that a country with more natural resources can grow at a Greater speed than the countries with lesser natural resource .So Environmental accounting is very Useful to increase the speed of economy growth .

8 To measure the economic Analysis and operation : To plan the economic Development and growth At optimum level, Environment accounting is useful .so planning of economic operation with the help

Of Environmental accounting is very useful in measuring the economic analysis and operation.

Limitation of Environmental Accounting :

- 1) There is no standard accounting method
- 2) Comparison Between two firms or countries is not possible if method of Accounting is different which is Quite Obvious
- 3) Input for EA is not easily available because costs and benefits relevant to the Environment are not easily measurable
- 4) EA is a long term process .Therefore to draw conclusion with helps of it is not easy
- 5) EA cannot work independently It should be integrated with the financial accounting ,which is not easy.
- 6) The user of information contained in the EA needs Adequate Knowledge of Process of EA as well as rules and regulation prevailing in that country either Directly or Indirectly related to Environmental aspects.
- 7) EA must be analyses along with other aspects of accounting. Because costs and Benefits related to the environment itself depend upon the results of the financial accounting, Management accounting, cost accounting , tax accounting etc.
- 8) It mainly consider the cost internal to the company and Excludes cost to society.

Reference :

- 1). Financial and management Accounting Book - Mcom part 1(Sudhir Publication)
- 2 New Horizons In Accounting Commerce and Banking (Popular Publication)

