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A Study On Green Accounting: Concept And Its Importance

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Abstract

Environment Protection is a major issue for all time. Still Environment damages are the rewards from the human being. As observing the environmental degradation mainly in the form of various types of pollution that is water, air, soil erosion and deforestation etc. For such types of degradation, establishing industries for economic development would also one of the reason. The degradation of environment not only diminishes economic productivity but also disturbs the environment, but the need of economic development and human being quality of health also essential. Therefore, the environment accounting essential and plays an important role to make the balance between economic productivity and environment protection. Green accounting is a new system of accounting which records costs and it is rendered by the eco system to business concern. Green accounting is also known as environmental accounting. Green accounting or environment accounting is a tool to express the damage from the business activities and the benefits from the natural environment. So the present would like to throw its light on the concept of green accounting and its importance in the present scenario. And also the study would try to explore more and more unknown things about green accounting and environmental accounting to create awareness about it and thereby giving emphasis on conservation and protection of environment. The present reviewed some articles written on green accounting system. The study also tries to show the importance of financial accounting, corporate social responsibility and the green accounting in balanced positive importance of achievement of environment protection and economic development.

Introduction

Green accounting or environment accounting is a type of accounting that tries to integrate environmental costs and benefits into conventional accounting for improved financial reporting and national well-being. Green accounting popularly known as environmental accounting refers to disclosure of environment related matters in financial statements of the firm. It communicates whatever steps taken up for the conservation of the environment by the firm to stakeholders such as government, banks, and financial statements etc.

Green accounting can be defined as an emerging branch of accounting which related to the environmental data that is gathered, recognized, classified, measured, calculated, estimated, recorded and then disclosed within the system of accounting. Environmental accounting identifies, measures and communicates environmental related information for economic decision making. In short, it records and summarizes the value of environmental goods and services in monetary terms.

Objectives

- To understand the concept of Green Accounting
- To study the history and development of Green Accounting
- To review the importance of Green Accounting System
- To analyse the limitations of the Green Accounting system

Need for the study

The green accounting is inevitable to protect and progress the green environment. So the present study is essential to make familiar the concept green accounting and thereby creating awareness about the green accounting. The present study is also essential to review its history and development and its importance. The study will help the authors who are working on it as well as potential learners of green accounting.

Scope of the study

The present study is focusing on the concept Green accounting and its importance. The legal framework for practice of Green accounting by Indian corporate sector.

History and Development of Green Accounting

The first environmental accounts were constructed in several European countries working independently of each other. Norway was the first which was adopted Green Accounting. As per was one of the the peer members of the country it was developed accounts for accounting natural resources. But the Netherlands was also a header in the development and adoption of environmental accounting. France was a third early adopter of Green Accounting in the 1980s. Another early accounting project took a very different approach in the late 1980s.

US Environmental Protection Agency (EPA) undertook the development of a set of pilot accounts for the Chesapeake Bay region of the eastern United States. Philippines, Namibia, Chile, USA, Japan are other early Green Accounts adopted countries. India's former environment minister Mr. Jairam Ramesh When in power stressed the need and importance to bring Green Accounting Practices to the forefront of accounting in India.

Environmental accounting is the identification and allocation of environmental costs, the integration of these environmental costs into business decision and subsequent communication of the information to a company's stakeholders. Identification includes a broad examination the corporate stakeholders. After companies identify the impacts on stakeholders as far as they can, they measure those impacts (cost and benefits) as precisely as possible in order to permit informed management decision making. Measurement might be quantified in physical units. After their environmental impacts are identified and measured companies develop reporting systems to inform internal and external decision makers.

Scope of Green Accounting

The scope Green accounting is very wide. From the point of view of a business enterprise, the following aspects are included.

1. Internal point of view: Green accounting covers the investment made by the business entity to reduce the environmental losses caused by its operations.

2. External point of view: In this view, green accounting covers all those environmental losses indirectly caused by the activities of the business entity.

Benefits or Need of Green Accounting(Significance)

The benefits of Green Accounting are listed Below.

- Green accounting helps to know whether the business entity has been discharging its responsibilities towards environment or not
- It discloses to the investors and other stakeholders the preventative measures taken by the management to reduce the environmental costs.
- It helps keep a systematic track record of environmental information.
- Green accounting helps to get environmental licenses from government authorities.
- It can ensure that the entity is operating in way that environmental damages do not occur
- A company having Green accounting practices or better environmental performance gets increased reputation among public.
- The company can control over operational and material efficiency gains.
- In a macro point of view, Green accounting and reporting lead to sustainable GDP growth.
- If Green accounting is implemented, the country and companies shall invest more in Greener processes and technologies
- The collection of the waste and the prevention of the pollution could create financial resources for the business entities.

Limitations of Green Accounting(Who do companies oppose Green Accounting)

Green accounting suffers from the following situations

- The Institute of Chartered Accountants of India(ICAI) has not frames accounting standard for prescribing procedures of environmental accounting and reporting.
- Comparison of two firms of two different companies is not possible if system of accounting is different
- Sometimes it would be difficult to make proper distinction between environmental expenditure and business expenditure.
- Social values for environmental goods and services are uncertain and change very rapidly .
- It mainly considers internal cost of the company and ignores social cost to society
- Initial cost for its tools and application is high
- It cannot work independently. It should be integrated with financial accounting which is not easy.

Laws Related to Green Accounting

- Environmental protection water (Prevention and control pollution) Act, 1974
- The Air (Prevention and control pollution) Act, 1981
- The environment (Protection) Act, 1986
- The Forest Conservation Act, 1980
- Hazardous Waste (Management and Handling) Rules, 1986.

Conclusion

Finally, I would like to conclude that, India still is not in Promising stages of development when it comes to the Green accounting. So as the government of India has to make mandatory of execution of corporate social responsibility under the Companies Act 2013, the same kind strict legal framework should be done in compulsory adoption of Green accounting with certain conditions. This may spread a wide range of seriousness to the corporate sector towards environment conservation and protection. They should also conduct some programmes to educate corporate sector about Green accounting and its execution in the companies. A separate an audit committee should be formed in order to check and examine at a regular interval about green accounting and its implementation in business organisations.

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