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Environmental accounting: A conceptual study

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Abstract

Today, an increasing number of companies and other organizations will participate in environmental management as part of their management strategies to specify measures to address environmental problems and to carry out environmental conservation activities internally. Environmental accounting is a tool to complement environmental management. Environmental accounting data are not only used by companies internally, but is also made public through disclosure in environmental reports of the companies or other organisations. The disclosure of environmental accounting data as one of the key elements in an environmental report allows the parties that use this information to understand the company's position regarding environmental conservation and how it specifically addresses environmental problems. The quantitative management of environmental conservation activities is an effective way to achieve and maintain good business management. Environmental accounting is a new accounting system that records the costs and benefits that the ecosystem provides to a company. Environmental accounting or green accounting is a new challenge to the accounting system. The present research work focuses on exploring the concept of environmental accounting.

Keywords: Environmental accounting, green accounting, environmental management, ecological accounting

Introduction

Social responsibility with respect to the environment is one of the crucial areas in today's corporate social responsibility. The ecological role of the corporate sectors responsible for their commercial activities on the environment is increasingly explicit. Together with the financial and production results of commercial activities, their environmental and social effects are also important. The environmental or natural resources are invaluable and, therefore, there is an urgent need to keep a record of these resources and, as a result, a new accounting area has emerged under the title "Environmental accounting". Environmental accounting is an important tool to understand the role of commercial enterprises in the economy towards environmental security and well-being. It provides data that highlight both the contribution of commercial enterprises to economic well-being and the costs imposed in the form of pollution or degradation of resources. The issue of corporate social responsibility and sustainable industrial development has led to a new branch of accounting, namely, Environmental Accounting. It is relatively a recent participant in the accounting domains. Environmental Accounting was adopted for the first time in Norway in the 1970s and in India, it is only followed in industries such as cement, oil and petroleum, electricity and electronics, steel, engineering and textiles, etc. The accounting information system is a critical component of management information. Systems It plays an important role to help protect the environment by making polluting production companies take responsibility for the protection of the environment: how companies reflect on their accounts or how they can expose their problems, etc. However, the necessary rules and regulations are necessary to protect the environment. In addition, well-established accounting guidelines are required.

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Objectives of the study

- To study the concept and Approaches of Environmental accounting.
- To study the Functions and Roles of Environmental accounting.
- To understand the Basic Dimensions and structural elements of Environmental accounting.

Research Methodology

This paper is basically based on concepts. According to the objectives of the study, the research design is of descriptive in nature. Available secondary data were extensively used for the study. Data are collected from articles, journals, and various websites.

Concept of Environmental Accounting

Environmental accounting is an entirely emerging and dynamic concept. Environmental accounting deals with the accounting of the environment that a company encompasses. Environmental accounting attempts to identify and expose the depleted resources and costs that commercial companies reciprocally deliver for the environment. Environmental accounting aims to achieve sustainable development, maintain a favorable relationship with the community and carry out effective and efficient environmental conservation activities. These accounting procedures allow a company to identify the cost of conserving the environment during the normal course of business, identify the benefits obtained from such activities and provide the best possible means of quantitative measurement (in monetary value or physical units) and support the communication of results. In the Encyclopedia of Environmental Sciences of McGraw Hill, the term Environment is defined as the "sum total of all conditions and influences that affect the development and life of an organism," including man. Therefore, environmental accounting refers to the measurement and communication of information about the performance of an organization's environmental responsibility to interested parties. Environmental accounting is also known as "green accounting" or "ecological accounting".

Approaches of Environmental Accounting

Environmental accounting has adopted two approaches:-

1. Physical Approach
2. Monetary Approach

Physical approach: The United Nations has suggested physical focus. The United Nations is the place where complete guides are prepared based on the resources available within a country according to its state and uses. For ex. We can classify by agriculture, desert, land, etc. Here, environmental operations are presented in physical terms. Here no monetary value is assigned. The current balance of the resource and the additions and deductions from that resource. This approach is very important to obtain physical information about the resources that environmental statistics can prepare and is also considered the first step in the monetary approach.

Monetary approach: Due to many complications in physical focus, the monetary approach is emerging. With the use of this approach, one can know the gains and losses associated with environmental operations. He gained a lot of interest. One can obtain an economic indicator adjusted to the environment.

Functions and Roles of Environmental Accounting

The functions of environmental accounting are divided into internal and external functions.

Internal functions: As a step of the environmental information system of a company, the internal function

makes it possible to manage the cost of environmental conservation and analyze the cost of environmental conservation activities versus the benefit obtained, and promotes effective environmental conservation activities and efficiently through making appropriate decisions. Internal functions are carried out within a company. They evaluate the costs incurred by environmental conservation activities and related benefits, and are beneficial in improving the efficiency and effectiveness of environmental conservation activities and help to understand what impact such activities may have on commercial operations. By using environmental accounting as an environmental information system, it plays the role of a tool to be used by management and related business segments.

External functions: By disclosing quantitatively measured the results of their environmental conservation activities, external functions allow the company to influence the decision-making of interested parties, such as consumers, investors and local residents. External functions are effective in transmitting information about the company. Environmental activities to the interest groups. The environmental accounting data are made public through environmental reports and cover a company's position on environmental conservation activities and the specific measures that the company is taking. By disclosing this information, the trust of society in the company improves and helps achieve a better public evaluation. Therefore, environmental accounting not only meets the company's responsibility to outsiders, such as consumers, investors and local residents, but also facilitates the achievement of a fairer corporate assessment, not just from the point of view of environmental conservation.

Benefits of Environmental Accounting

- Evaluation of environmental costs/ expenditures.
- Budgeting.
- In making various processes of business planning.
- Calculating costs and savings of environmental projects.
- Cleaner production and eco-design projects.
- Design and implementation of appropriate environmental management systems.
- Developments in environmental performance measures, evaluation, indicators and benchmarking.
- External disclosure of environmental expenditures, investments and liabilities.
- External environmental or sustainability reporting

Basic Dimensions of Environmental Accounting

Relevance: Environmental accounting must provide valid information related to the environmental conservation costs of the company and the benefits of associated activities that contribute to the decision making of interested parties.

Reliability: Environmental accounting should eliminate seriously inaccurate or biased data and help build the confidence and trustworthiness of the stakeholders. When disclosing environmental accounting data, it must be represented accurately and faithfully.

Comprehensibility: In achieving an understanding of the disclosure of the necessary environmental accounting data, environmental accounting should eliminate the possibility of

any misjudgment of the company's environmental conservation activities. No matter how complex the content, it is necessary to disclose all the essential information.

Comparability: Environmental accounting makes it possible for a company to make year-to-year comparisons. The information provided must be compared with different companies in the same sector.

Verifiability: The environmental accounting data must be verifiable from an objective point of view. Verifiable information is information for which the same results can be obtained when using premises, standards and methods identical to those used by the party that created the information.

Structural Elements of Environmental Accounting

Environmental accounting, as defined in these guidelines, consists of the following structural elements with the purpose of obtaining two types of benefits derived from the costs incurred for environmental conservation activities during the regular course of business.

1. Cost of Environmental Conservation

Investments and expenses related to the prevention, reduction and / or avoidance of environmental impact, elimination of side impact, restoration after a disaster and other activities are measured in monetary value. Investment amounts are expenditures allocated during a target period for environmental conservation purposes. The benefits of these investments are observed over several periods and are recorded as expenses during the depreciation period (the amount of depreciable assets recorded during the period according to financial accounting standards).

The amounts of expenses refer to the expenses or losses recorded according to the financial accounting standards that result from the consumption of goods or services for environmental conservation purposes.

2. Benefit of Environmental Conservation

The benefits obtained from the prevention, reduction and / or avoidance of the environmental impact, the elimination of side impact, the restoration after a disaster and other activities are measured in physical units.

3. Economic benefit associated with environmental conservation activities

Profits for a company's profit as a result of carrying out environmental conservation activities are measured in monetary value.

Conclusion

Environmental accounting is an entirely emerging and dynamic concept. Environmental accounting deals with the accounting of the environment that a business encompasses. Environmental accounting records and summarizes the value of environmental goods and services in monetary terms. This branch of accounting provides organizations with the cost of their products and processes, leading to ingenious decisions and sustained profitability. This document sheds light on certain theoretical and fundamental aspects of the concept of "Environmental Accounting". The document is expected to provide information and a basis from which accountants can test their current practices and

seek to encourage them in terms of providing a better understanding of the interaction between businesses and the natural environment.

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