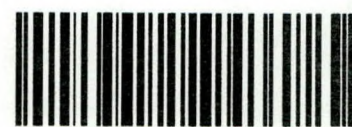
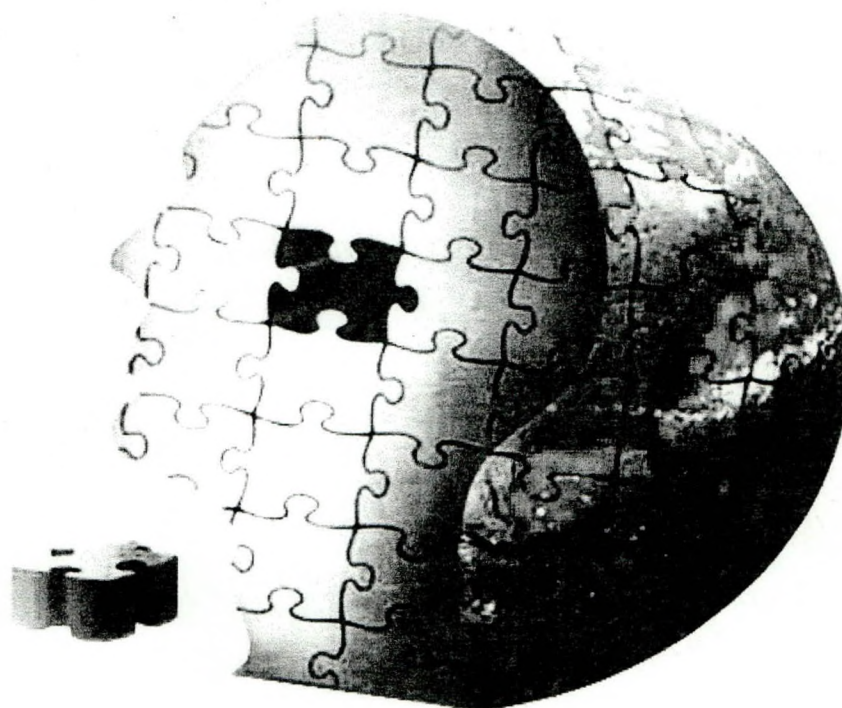


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GREEN ACCOUNTING - NEED OF THE HOUR - A VIEW

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ABSTRACT

Growth can no longer be measured in strictly economic terms such as the monetary value of output, income or expenditure per head. Every business has an overriding responsibility to make the fullest possible use of its resources both human and material. An enterprise is a corporate citizen. Like a citizen it is esteemed and judged by its actions in relation to the community of which it is a member as well as by its economic performance. Nowadays, companies cause a lot of environmental problems because of profit maximization, the endless needs, rapidly advancing technological developments, unconscious consumption of natural resources, as they execute their operations. The developing countries like India are facing the twin problem of protecting the environment and promoting economic development. A trade off between environmental protection and development is required. One approach that is gaining momentum across the globe is "green accounting" whereby national accounts are adjusted to include the value of nature's goods and services. India is beginning to recognise that protecting biodiversity and ecosystems is a critical national priority. Therefore, the need of green accounting has emerged with its pros and cons.

Key Words: Green/Environmental Accounting, Bio Diversity, Pollution, Degradation, Deforestation

Introduction

Growth can no longer be measured in strictly economic terms such as the monetary value of output, income or expenditure per head. Additional criteria are needed for green growth.

As per UK economist Tim Jackson "Prosperity consists in our ability to flourish as human beings – within the ecological limits of a finite planet. The challenge for our society is to create the conditions under which this is possible. Green growth will come from applying green public procurement and green research and development (R&D). Appropriate penalties such as making the polluter pay for pollution and incentives like tax breaks for investment in green R&D are required. However, measuring green growth will need additional criteria such as sustainability, greenness, happiness or wellbeing. Green accounting will help in this.

Green Accounting

Green accounting is interesting nowadays.

Organizations claim they are "green". Green accounting can give a framework with the basics of accounting that is also done with money. However, to implement green accounting into an organization, the factors people, processes and technology should be taken into account. Measuring the company's financial statements is done by good accounting. Green accounting promises a good way to give people more insights in the use of natural resources and the emissions an organization produces. Just like organizations use bookkeeping to keep track of their financial transactions, it's possible to use bookkeeping to keep track of the influences of organizations on the environment. Thereby compensation of emissions in other places can be used in case of emission rights that are divided among organizations. The measurement of greenhouse gases in form of for instance CO₂ emissions is an important form of measuring the influences on the environment.

Green accounting is the kind of environmental

accounting describes an effort to incorporate environmental benefits and costs into economic decision-making or a business's financial results. Green accounting is considered to be an important tool for understanding the influential aspects of natural environment with respect to the economy. The data and information provided by environmental accounts are determined to be in relation to the involvement of natural resources in economic development and costs occurred due to pollution or resource degradation.

Importance and Need

Nowadays, companies cause a lot of environmental problems because of profit maximization, the endless needs, rapidly advancing technological developments, unconscious consumption of natural resources, as they execute their operations. At first glance, these efforts in order to remove environmental pollution means additional cost to companies in the short term nevertheless they can have a chance of cost minimization in medium and long term and even additional income in this process.

The importance of green accounting is increasing because of increasing of environment problems, economic, social and technological developments. Green accounting is a tangible tool in the application of sustainable development. Green accounting is also requirement of social responsibility of the enterprises.

The following are the reasons for the need of green accounting

- **Green washing:** When a manager tries to create reports that give better information about the sustainability of the company than the reliability. It's not illegal (yet), but trying to give the company a better reputation than it has;
- **Mimicry:** Imitation. When other companies also do it, you want to do it also;
- **Legislative pressure and stakeholder pressure:** When stakeholders or (governmental) organizations ask the company to put a "cap" on the emissions of GHGs;
- **Self-regulation:** Driven by the companies mission itself for different reasons;
- **Corporate responsibility & ethical reasons:** these reasons could be more intrinsic but could also be driven by outside factors;
- **Managing the business case for sustainability:** Accounting could make the economic potential of environmental activities clear and supports transparency.

Scope of Environmental/Green Accounting

Internal point of view

- Investment made by the business sector for minimization of losses to environment(It includes investment made into the environment saving equipment/devices)

External point of view

- All types of loss indirectly due to business operation/activities (It mainly includes degradation and destruction, depletion of non renewable natural resources, deforestation and land uses.

Purpose

There is no single goal to have green accounting. Some of them can be as follows: identifying, collecting, calculating and analyzing the relevant material and energy costs; internal reporting and using information about environmental costs; providing other costs involved, the information in the decision making process, with a view to adopting efficient decisions and contributing to environmental protection. The aim of green accounting is the acknowledgement and attempt to identify ways of diminishing the negative effects of activities and systems on the environment.

Advantages

The following are some of the advantages of green accounting

- Helps in adopting a decision on the financial performance of organizations and green accounting,
- Provides useful information to achieve cost minimization target (especially environmental) and a negative impact on the environment,
- Presents data on the cost required to estimate the financial impact of such initiatives as: preventing pollution, designing and green accounting environment improvement; projections, cost, estimated life cycle in the environment; circulation of the environmental administration of the product candidates; supply process from an environmental perspective; product or a manufacturer's liability;-centered environment management system; assessing, testing
- Reports the performance of environmental activities;
- Analyses the performance reporting;
- Provides other information sources such as routine managerial activities: product and process

design, cost distribution and control, capital budgeting, bidding process, pricing policies, performance evaluation

- Informs the enterprise about the effects of the activity over the natural environment and over the population;
- Facilitates in sustaining the decisional process concerning the action plans for the environmental protection;
- Helps in the increase of the financial statements users' trust and also the attraction of new investors;
- Assists in the realization of sustainable development.

Disadvantages

- The implementation of green accounting does not represent a guarantee for financial gain or a related environmental performance

Limitations of Green Accounting

There is no standard accounting method.

- Comparison between two firms or countries is not possible if method of accounting is different which is quite obvious.
- Input for Green Accounting is not easily available because costs and benefits relevant to the environment are not easily measurable.
- It mainly considers the cost internal to the company and excludes cost to society.
- GA is a long-term process. Therefore, to draw a conclusion with help of it is not easy.
- GA cannot work independently. It should be integrated with the financial accounting, which is not easy.
- GA must be analysed 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, national accounting, etc.
- The user of information contained in the green accounting needs adequate knowledge of the process of GA as well as rules and regulations prevailing in that country either directly or indirectly related to environmental aspects.

Conclusion

Green accounting attempts to measure the performance of an organization and of a national economy in relation to the environment and, in

economic terms, by means of the monetary evaluation of environment costs associated to the development and functionality activities, and the evaluation of economic benefits brought by an advantageous environmental management and other measures.

Green accounting is mainly introduced because of the greenhouse gases that result into worldwide global warming. Green accounting is a way to handle the emission data of different organizations in order to make comparisons possible and to enable legislation to end up with a verifiable reduction of emissions. Green accounting is should be done to give a reliable insight into as much emissions as possible where organizations are responsible for. Thereby it helps them with their choices and the reduction of emissions. The importance of the environmental problems has been increased due to the continuous degradation of environment and increasing environmental disasters. Hence in the modern business world the implementation of green accounting is considered to be an important factor. But the demerit identified with respect to green accounting system is the lack of appropriate implementing techniques. Saving environment and developing the economy is a challenging feature for developing countries. The organizations that are determined to be in the field of or related to Energy-reliant manufacturers and power generating utilities are measured to be under more pressure with respect to implementing green accounting. At the same time firms from all business sectors are assumed to be implementing green accounting tool to a certain extent in the upcoming years.

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