Saarth
E-Journal of Research

ISSN NO: 2395-339X

Environmental Accounting As a tool of remedies for Environmental Issues

Dipak B. Gohil*

Introduction

We are facing many environmental issues like pollution of air, water and soil, global warming, natural resources depletion, waste disposal, loss of biodiversity, deforestation, ocean acidification, ozone layer depletion, acid rain etc. Such environmental issues are harmful to every human being. We have to do something to protect our environment. Environmental protection is a practice of protecting the natural environment on individual, organizational or governmental levels, for the benefit of both the environment and humans.

Every organization use natural resources and it become its duty and responsibility to protect the environment. Organization can take care and protect the environment by various ways. One of the ways is Environmental Accounting. Now let us understand the concept of Environmental Accounting.

Meaning and Concept of Environmental Accounting

Accounting is the language of business. Accounting has increased its scope and branches over the demand of modern business. Accounting is a recording process that collects records and communicates the necessary information to the different stakeholders to survive in the society. EA is concerned with the information of the organization related with environment and environmental issues. Environmental accounting describes the generation, analysis and use of monetarised environmental information in order to improve organizational environmental and economic performance.

Environmental Accounting has been broadly defined as the preparation and publication of an account about an organization's socio-environmental condition, employee, community, customer and other stakeholder interactions and activities and, where possible, the consequences of those interactions and activities. Generally, a very important function of environmental accounting is to bring environmental costs to the managers; therefore, motivating them to identify ways to reduce and avoid unnecessary economic costs related to the environment and at the same time reduces the company's environmental impact.
Environmental Accounting which is a part of accounting and a subset of social accounting focuses on the cost structure and environmental performance of a company. Therefore, Environmental Accounting describes the preparation, presentation, and communication of information related to an organization's interaction with the natural environment.

According to Gupta "Environmental Accounting explains the reporting of quantitative and detailed environmental data within the non-financial sections of the annual report and such reports may account for pollution emissions, resources used, or wildlife habitat damaged or re-established"

Dipak B. GohilAsst Prof in ComParekh Science Arts and Com College ,Mahuva.

Saarth
E-Journal of Research
ISSN NO: 2395-339X

Broadly we can define that Environmental Accounting is the identification, compilation, estimation, justification and analysis of environmental cost information for better decision-making within the firm for both internal and external purposes.

The environmental accounting covered under Japanese Environmental Accounting Guidelines 2005, (Ministry of the Environment, Japan, 2005) is composed of the following factors: environmental conservation cost (monetary value), environmental conservation benefit (physical units), and the economic benefit of environmental conservation activities (monetary value). The data for each of these components is represented in figures or descriptive information. It is a structure for systematically identifying, measuring, and communicating environmental conservation cost and the economic benefit of environmental conservation measures in monetary value. It indicates the financial performance portion of environmental accounting that is an environmental conservation benefit, in physical units. It also identifies, measures, and communicates the environmental conservation benefit presented in physical units. The results of environmental accounting can be furthermore used for analysis and evaluation.

As per guideline, environmental accounting provides quantitative and qualitative information. Qualitative data include; environmental cost conservation in monetary terms, environmental conservation benefit in physical units and economic benefit associated with environmental conservation activities in monetary value. Qualitative information includes; details of the cost of environmental conservation, details of the benefits of environmental conservation, and details of the economic benefits associated with environmental conservation activities.

Scope of Environmental Accounting

Environmental Accounting is a new branch as well as a concept of accounting. In the current point of view, everybody's concerns over environment make management a pressure to provide environmental disclosure in their annual report. Different stakeholders are keenly interested to know environmental performance of the organization. So Environmental Accounting has a wide range of scope. It includes corporate level, national and international level, qualitative and quantitative, positive and negative, good, bad or neutral information of environment. Some scopes of Environmental Accounting are given below;

- Stopping pollution like soil erosion, loss of bio diversity, air pollution, water pollution, problem of solid waste, coastal & marine pollution.
- Evaluating environmental risks of different projects.
- Internal and external disclosure of environmental expenditure, investments and liabilities.
- Investment made into the environment friendly equipment.
- Global environmental or sustainable reporting.
- Warning organization about environmental hazards.

ISSN NO: 2395-339X

- Working on nonrenewable natural resources.
- Encouraging nonrenewable energy sector.
- Climate change issues.
- Deforestation and contamination of land uses.
- Assessment of annual environmental expenditure, assets, liability and investment.

Importance of Environmental Accounting

By using Environmental Accounting corporate business can increase its accountability in the contaminating business world. A company can produce EA for the following benefits;

- To assess annual environmental expenditure.
- To know the environmental policy of the organization.
- To publish sustainable reporting.
- Operating in a way that environmental damages do not occur.
- To identify and classify environmental risks of the organization.
- To show eco-design projects.
- To measure environmental responsibilities of the organization.
- To understand the overall environmental performance of the organization.
- Calculating costs and savings of Environmental projects.
- Design and implementation of environmental management systems.
- To disclose different preventative measures taken by the management.
- Developing of environmental performance measures, evaluation, indicators, and bench marking for internal and external disclosure of environmental expenditure, investments and liabilities and opportunities.

Organizational benefits of producing environmental report

Organization has benefits of producing environmental report from internal and external point of view. The internal environmental costs and benefits are those that the organization records in its own accounts. To improve environmental performance, the organization needs to manage and control costs relating to waste management, energy consumption and resource use. It also helps to understand the internal benefits, such as cost savings, environmental grants and reward given by government and other organizations, tax benefits or revenues generated.

On the other hand, the external environmental costs and benefits are the impact which the organization’s activity has on wider society and environment at present and in the future. It helps to understand the external environmental impacts such as contamination of ground water, traffic congestion, and poor urban air quality and so on. Internal and external

Saarth E-Journal of Research

ISSN NO: 2395-339X

environmental accounting enables organization to inform decision makers for strategic and tactical planning, increase awareness of potential environmental benefits and opportunities and reduce future environmental risks and liabilities.

Conclusion

In environmental accounting the environmental cost is accounted and reported. Environmental cost also includes the cost incurred on protection of environment. If an organization includes such cost in its accounts it shows its work behind protection of environment. If an organization includes such cost, it would not misuse the natural resources because it is binding to include environmental cost which may be destroying the environment or protecting the environment. Hence Environmental Accounting will make compulsory for every organization, if it will make compulsory for every organization, they show the environmental cost and anyone can know from that cost, it incurred for prevention or destroyed the environment. Every organization, then afraid from destroyed the environment. Hence we can say that Environmental Accounting can become a tool of remedies for environmental issues.

References

- Minaxi A. Rachchh & Gadade Siddheshwar “The Framworks of Environmental Accounting” I.J.E.M.S. Vol 5(3) 2014
- Ministry of the Environment Japan “Environmental Accounting Guidelines-2005”
- Websites