IRJA-Indian Research Journal, Volume: 1, Series:2. Issue: March, 2014 ISSN: 2347-7695
Online Available at www.indianresearchjournal.com

ADVANTAGES OF IMPLEMENTING GREEN ACCOUNTNG

(Within an economic entity)

Author
Dr. BHAWANA REWADIKAR
Asst. Professor
Dept. of Commerce
Dr. H.S. Gour University Sagar M.P

ABSTRACT

Green accounting is a management tool for the better consideration of environmental costs.

In organization accounting performs a vital role in business activities transfer an internal mechanism, commonly referred to as management accounting system. Further through its external reporting process accountability is extended to stakeholder's on the company's financial performance (which has been subject to an auditing function), enabling them to make economically useful decisions.

The accounting establishes an organizational culture and has performed impact on business success and creditability. At a broader social level, accounting has embedded within the wider social and political factor. Accounting data is used to represent or even recreate reality .Many organization are uncertain about the outcomes of Green accounting and are therefore reluctant to implement such a tool.

In order to help organizations to evaluate the need of Green accounting this research paper aims to identify real advantages of implementation of Green accounting within an economic entity.

KEY WORDS;-FORMS, NEED, APPROACH, ADVANTAGES OF GREEN ACCOUNTING

RECENT TRENDS IN COMMERCE AND MANAGEMENT GREEN ACCOUNTNG

"Green Accounting is a type of accounting that attempts to factor environmental costs into the financial results of operations. It has been argued that Gross Domestic Product ignores in the environment and therefore decision makers need a revised model that incorporates Green Accounting."

Green Accounting term was first bought into common usage by economist "peter wood" in 1970. "Green Accounting involves putting a volume on a country's natural resources like forests and seas" Its also known as Environmental Accounting, Environmental Reporting Environmental Sensitivity. Increasing danger to environment, extension of many species of plants and animals, depletion of ozone layer, the global warming, use of fossil, fuels emitting Green house gas has become a reality. States which are considered as trusts of the environment for future generations are increasingly adopting the path of sustainable development in this planning, process and formulating together regulation for industry based on the 'soft law developed initially.

There is growing awareness and concern on the input of human activity on the ecosystem. This concern at global used about the input of the human activities on the environment and the need for mitigating the effects led to the codification of 'soft law' on environment. The principles such as pollutar pay absolute liability, Nofault liability, precautionary principle. Inter generation equity and neighbourness begins to take routs into international and national environmental regulations

Need for Green / Environmental Accounting at corporate level:-

The Green Accounting at the corporate level helps the management to know whether corporate has been discharging its responsibility towards sustainable development while meeting business, objectives, Green Accounting address the following:

1. Meeting regulatory requirements.

2. Operate its factor in a way that environment damage does not occur.

3. Promote a culture and attitude of environmentally safe working amongst its employee.

4. Disclosure to shareholders the amount and nature of the prevention measures taken by management.

5. Ensures safe handling and disposal of hazardous waste

Scope of Green Accounting

The scope of Green Accounting is extensive and industry corporate national and international level.

The following aspects are included in Green Accounting

1. The direct investment made by a corporate for minimization of losses to environment. It includes investment made into the equipment/devices that help in reducing potential losses to the environment. This can be easily monitoriezed.

2. Indirect losses due to business operation. Its manly includes degradation and destruction such as loss of biodiversity, air and water pollution, hazardous waste including bio medical waste, coastal marine pollution, depletion of non-renewable and natural resources, deforestation etc.

Forms of Green Accounting/ Environmental Accounting:

1. Environmental Financial Accounting

Aims to the true disclosure in financial statements in the end of period. That is including environmental dimension in the published sheets of operations.

2. Environmental Management Accounting:

Means the management of environmental and economic performance through the development and implementation of appropriate environment related accounting systems and practices. While this may include reporting and auditing in some companies, environmental management accounting typically involves life-cycle costing, benefits assessment, and strategic planning for environmental management.

3. Environmental Cost Accounting:

Deals with environmental costs in order to reach the full cost accounting, i.e. the identification, evaluation, and allocation of conventional costs, environmental costs, and social costs to processes, products, activities, or budgets.

Accounting polluter pays principle (PPP) each polluter has to pay for the costs for dealing with the pollution resulting from operation. Failure to bear these costs by the polluter will mean that some other party (a third party) will have to shoulder them- external environmental costs.

The term environmental costs have at least two major dimensions;

(1) It can refer solely to costs the directly impact "private costs";

(2) It also can include the costs to individuals, society, and the environment for which a company is not accountable, "social costs"

4. Ecological Accounting:

The term Ecological Accounting is used to refer to the preparation of accounts according to physical data only. In addition, Ecological accounting is the type of Environmental Accounting (a dedicated type of Natural Resource Accounting at local administration level).

In this respect, Ecological accounting is mainly used to prepare an asset management plans at local administration level. Such plans provide a tool to evaluate the condition and life cycle of any particular physical asset.

5. Natural Resource Accounting:

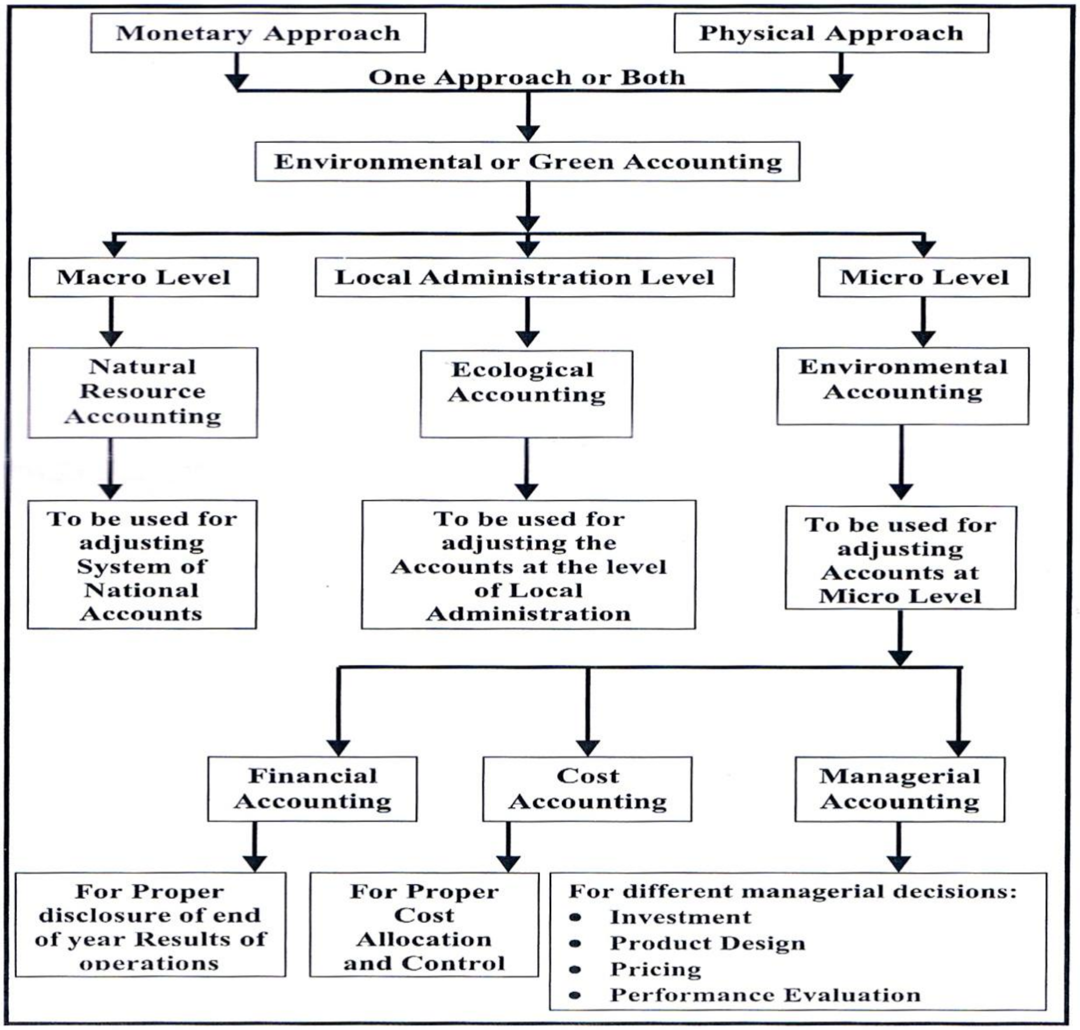
The term natural resource accounting is called after inclusion of environmental aspects into the system of national accounts. Where emphasis is given to natural assets, deterioration in its quality in order to get an environmentally adjusted economic indicators such as environmental gross national income.

Physical Approach V/s Monetary Approach

It is worth mentioning that two approaches adopted in Environmental Accounting, firstly, the Physical Approach was suggested by the United Nations where a complete guide to be prepared indicating the available resources within a country classified according to it state and uses (for instance, agriculture, desert land ....etc). Depending on its approach the environmental operations are presented in a physical terms, the current balance of the resources and the additions and deductions from that resource. No monitory value is assigned according to this approach. Then, the monetary approach emerged due to the fact that the Physical Approach does not fulfill the requirements of the Environmental Accounting. Nevertheless, the physical approach is a very important to get physical information about the resources which enables to prepare the environmental statistics and is considered the first step in the Monetary Approach. Despite of the difficulties associated with the monetary approach, it gained a lot of interest as such data will enable to know the profit and loss associated with the environmental operations and to get environmentally adjusted economic indicators.

The following figure shows the different approaches and classifications of environmental accounting at all levels.

Approaches and Classification of Environmental Accounting



Functions of the Green Accounting

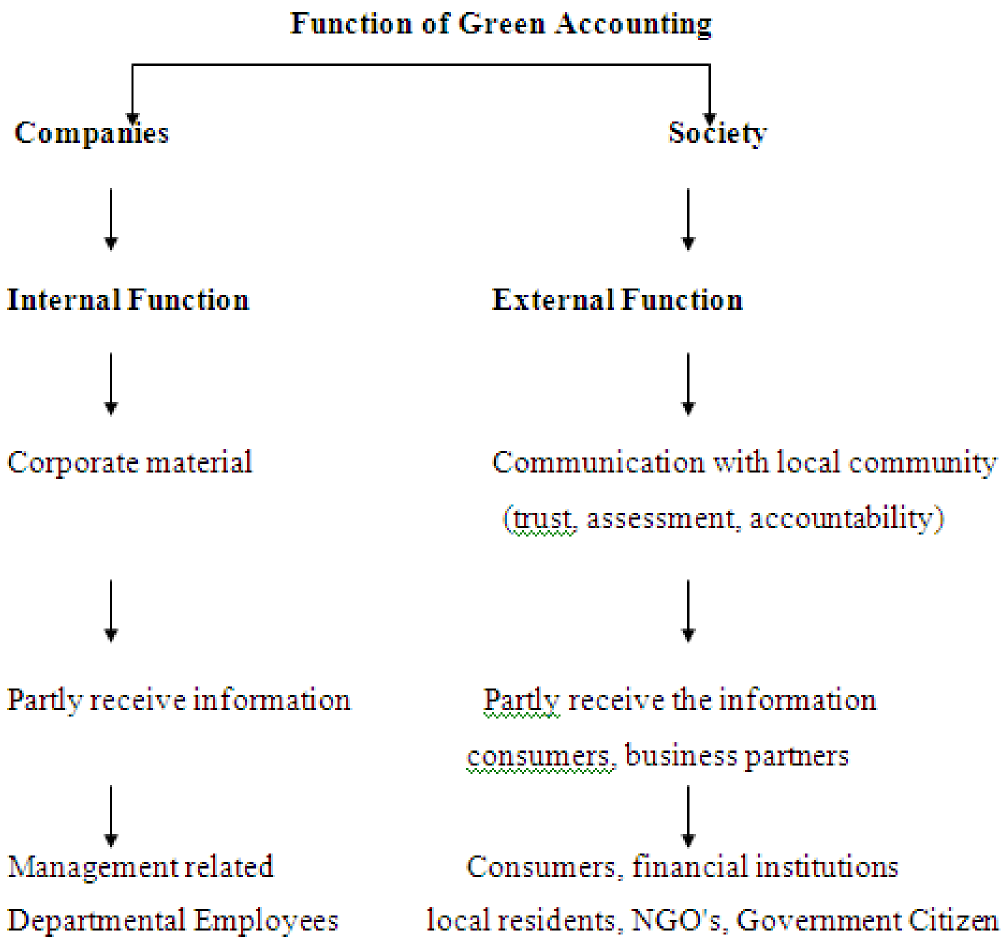
1) Internal Functions:

As one step of a company's environmental information system, internal functions makes it possible to manage environmental conservation cost and analyze the cost of environmental conservation activities verses the benefit obtained and promotes affective and efficient environmental conservation activities through suitable decision making.

It is desirable for environmental accounting to function as a business management tool for use by managers and related business units.

2) External Functions:

By disclosing the quantitatively measured results of its environmental conservation activities, external functions allow, a company to influence the decision making of stockholders such as- consumers business, partners, investors, local residents and administration.



Conclusion:

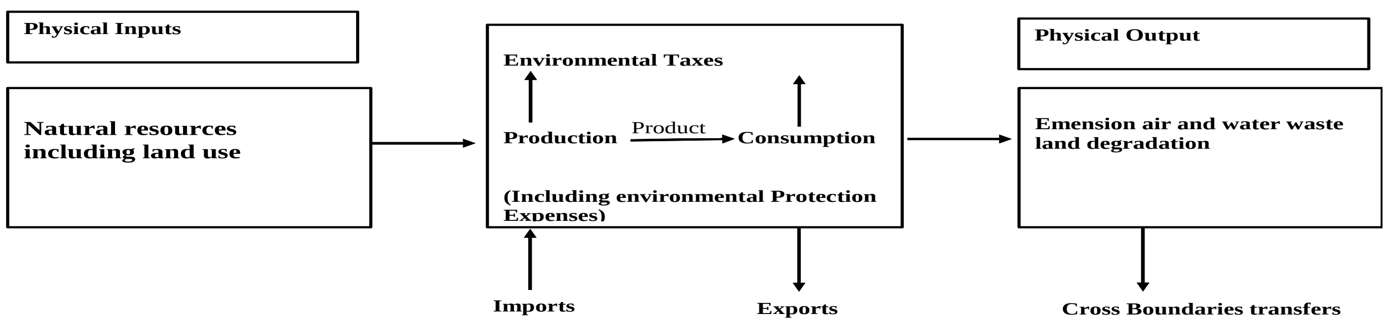
"Green Accounting is an emerging fact of accounting with benefits for industry and society globally. As more companies come to the Green Accounting in their decision making. The values of Green Accounting continue to grow.

Advantages of Implementing Green Accounting (Within an economic Entity)
Real Advantages of implementation of Green Accounting (within an economic entity)

- Green Accounting is meant to be used for both internal and external users.
- Green Accounting provides useful information regarding decision making for level and structure of production, value of investment and environmental costs.

- It identifies and analyzes the environmental costs and an afferent debt identifies and manages the ratio between the environmental expenses and its afferent debt.
- It identifies collects and analysis data about raw materials energy and other information's about environmental impact of the business that will lead to more informed decision making with consequent implications for improved profitability and environmental protection.
- It manages the acquisitions, consumption and sales of material including waste.
- In contributes to a better management of energy and water costs.
- It provides information regarding the performance of an economy entity which leads to a better relationship between partners and the external environment being new clients and better image of the society.

It leads managers to purchase materials that will minimize the costs.



Bibliography

1.	Green National Accounts	:	Sajak Smalalers 2008
2.	Accounting for environment	:	Rab Gray, Jan Bibbington
3.	Environmental Policy	:	Peter Bortelmay, E.K. Sisfort
4.	The Green Economics Reader	:	Miriam Kennet
5.	Green Accounting	:	Gulvin Steversen

6.	An introduction to Environmental Accounting	:	Key Concept & Terms
7.	Measuring sustainable Development	:	Pearce David
8.	Future studies in Environmental Accounting and Natural Resources	:	Forghally Ahead
9.	Leads Ecological foot prints	:	Leads Eco
10.	Linking Ecological Accounting to Asset Management Planning for local Authorities	:	Osborn Dick