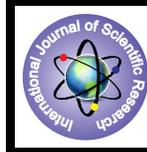


Forms and Legal Framework of Environmental Accounting in India



Commerce

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ABSTRACT

The term “green accounting” or “environmental accounting” has now been disgustingly researched. The main emphasis of the many studies has been to present the overview scenario of this emerging area. 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 the environment and therefore decision makers need a revised model that incorporates green accounting.

The objectives of the present study are to see overall scenario of green accounting and existing forms and legal practices followed by Indian corporate houses. To attempt these purposes the study has relied on secondary data. Secondary data have been collected from journals, text books, publication such as Indian Journal of Accounting, web sites.

Introduction

Environmental accounting, popularly known as Green accounting is a kind of accounting that attempts to issue environmental costs into the economic results of operations. It has been highlighted that gross domestic product ignores the environment and hence decision makers need a revised model that incorporates green accounting.

Efforts towards environment cautiousness of Indian companies are multi-fold. India is one among the pioneer of developing nations to practice more of voluntary green performance reporting. As an alert green stakeholder there is accountability on us in handing over a green future to our next generations. Global efforts on EIA (Environmental Impact Assessment) must go beyond measurement of air, water pollution etc. to ultimately augment improved quality of life in future. Environmental friendly programs and practices such as conservation of non-renewable energy sources, greening, reclamation and rehabilitation, a forestation, top soil management, noise abatement and vibration analysis, general aesthetic beauty etc. has resulted in better efficiency and improved environmental performance.

Voluntary environmental accounting and reporting has changed the way, how by tradition corporations tend to think on their corporate social responsibility (CSR). Mandatory reporting, how so ever strict, is nothing but a minimum prescribed reporting requirement. Corporate bodies are thriving for socially responsible reporting. For them mandatory reporting would be just a miniscule form of representing their enormous effort towards determining themselves as a socially responsible entity.

Thus many companies around the world most significantly in India, practice more of voluntary environmental reporting, that is going beyond the mandatory guidelines. Indian companies eagerly go far beyond the mandatory guidelines. There exists a voluntary reporting culture among Indian companies in the form of satellite reporting, sustainability reporting, internet reporting etc. Indian companies are bold enough to set environmental performance standards at par with international practices, for themselves. Such corporate efforts have been recognized with prizes and certificates of merit for the best environmental measures undertaken for environmental protection and management. It appears that Indian companies are motivated by global trends in meeting such international reporting standards. An attempt is made here to compile few of the green efforts of companies considered for this survey.

Need of Environmental Accounting in Business World

It helps to know whether corporation has been fulfilling its responsibilities towards environment or not. Mainly, a company has to fulfil following environmental responsibilities:

- i. Meeting regulatory requirements or exceeding that expectation.
- ii. Cleaning up pollution that already exists and properly disposing of the hazardous material.

- iii. Disclosing to the investors both current and potential, the amount and nature of the protective measures taken by the management.
- iv. Working in a way that those environmental cost and compensation do not occur.
- v. Promoting a company having wide environmental attitude.
- vi. Control over operational and material efficiency gains driven by the competitive global market.
- vii. Control over increases in costs for raw materials, waste management and potential liability.

Different Forms of Environmental Accounting

1. Environmental Management Accounting (EMA)

This method emphasised on management accounting with a specific focus on material and energy flow information and environmental cost information. This type of accounting can be further classified in the following subsystems:

a. Segment Environmental Accounting:

This is an internal environmental accounting tool to select an investment activity, or a project, related to environmental conservation from among all processes of operations, and to assess environmental effects for a certain period.

b. Eco-Balance Environmental Accounting:

This is an internal environmental accounting tool to support PDCA for sustainable environmental management activities.

c. Corporate Environmental Accounting:

This is a tool to inform the public of relevant information compiled in accordance with the Environmental Accounting.

For this reason the cost and effect (in quantity and monetary value) of its environmental conservation activities are used.

2. Environmental Financial Accounting (EFA)

This method emphasised on financial Accounting, with a specific focus on reporting environmental liability, costs and other significant environmental costs.

3. Environmental National Accounting (ENA)

This method emphasised on National Level Accounting, with a specific focus on natural resources stocks and flows, environmental costs and externality costs etc.

Legal Framework for Environmental Accounting in India

Although industrial licensing has been abolished for all practical purposes, environmental clearance from various Government authorities has now taken the centre stage. With increasing global concern over the protection of the environment, India too has set up a Union Ministry of Environment with the object of coordinating among the states and the various ministries, the environmental protection and anti-pollution mechanisms. Essential legislation has also been passed.

The various laws relevant to environmental protection are as under:

(a) Directly related to environment protection:

- i. Water (Prevention and Control of Pollution) Act, 1974.
- ii. Water (Prevention and Control of Pollution) Cess Act, 1977.
- iii. The Air (Prevention and Control of Pollution) Act, 1981.
- iv. The Forest (Conservation) Act, 1980.
- v. The Environment (Protection) Act, 1986.

(b) Indirectly related to environment protection:

- vi. Constitutional provision (Article 51A).
- vii. The Factories Act, 1948.
- viii. Hazardous Waste (Management & Handling) Rules, 1989.
- ix. Public Liability Insurance Act, 1991.
- x. Motor Vehicle Act, 1991.
- xi. Indian Fisheries Act, 1987.
- xii. Merchant of shipping Act, 1958.
- xiii. Indian Port Act.
- xiv. Indian Penal Code.
- xv. The National Environment Tribunal Act, 1995.

It is important to note that all new projects require environment clearance. This clearance concerns both the Union Ministry of

Environment and Forests and the corresponding State Govt. department of environment. Guidelines have been issued and all such projects are expected to obtain environmental and anti-pollution clearance before they are actually set up.

A Central Pollution Control Board (CPCB) has also been set up. Wherever cases of violating of standards of water or air pollution have been detected, show cause notices have been issued to industrial units and all such units are being kept under regular inspection.

Conclusion

Environmental accounting and reporting is in preliminary stage in India and whatsoever shows in the accounts in this regard is more or less compliance of relevant rules and regulation in the Act. Actually, unless common people of India are not made aware towards environmental safety, development of accounting in this regard is difficult. Business houses have to prepare a concrete environmental policy, take steps for pollution control, comply with the related rules and regulations, and mention sufficient details of environmental aspects in the annual reports. For sustainable development, a definite environmental policy as well as proper implementation and appropriate accounting procedure is a must.

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