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GREEN ACCOUNTING : NEED AND IMPORTANCE

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ABSTRACT—

Green accounting is a new system in accounting which records costs and benefits rendered by the eco system to a business concern. Green accounting is also called as environmental accounting. Green accounting is a new challenge of accounting system. It is one of the tool and helps to reduce the environment cost and to take the proper decisions and



implementing green technology. This papers main objective is to understood what green accounting and its importance. It also aims to find out new important it is for a company to implement green accounting and keep a track of what is receiving from the environment and what it is giving back in returns. It also useful to use the efficient resources and reducing pollution

to an extent. Green accounting plays major role in the corporate social responsibility (CSR) of a firm. It is one of the difficult task to implement green accounting in each and every organisation but an attempt is made to show how green accounting helps in environmental sustainability. The every organisation must take initiative to implement green accounting in all the levels of the organisations. The government also must take strict actions is the environmental norms are not followed and also penalties must be imposed for it. The responsibility towards the environment has become one of the most important factor in the corporate social responsibility of a firm.

KEY WORDS: Green accounting, corporate social responsibility, environmental norms, environmental sustainability.

INTRODUCTION :

The term green accounting was used for the first time in the year 1980's by professor Peter Wood. Environmental accounting or green accounting is a new branch of accounting that aims at accounting for the environment and its well being. Although it is a completely new branch of study and practice, its soon gaining relevance because of its importance. In addition to merely checking a company's profit or loss or its revenue and expenses environmental or green accounting is a growing field that focuses for accounting the environmental impact, certain factors may cause to a business or organizations.

Green accounting is the type of accounting which tries to combine the environmental costs along with the financial cost which would lead to the final result of the operations of the company. The System of Environmental Economic Accounting (SEEA) is used in green accounting. It focuses to prevent the depletion of scarce natural resources and preventing the environmental degradation. The green accounting has two

purposes out of which one is to improve the financial environmental performance in the business and other is to check how the operations of the organizations have an effect on the environmental system. Implementation of green accounting in the management system of the organizations is the important for the progress of environmental and economic performance of the organizations. Yet, it is still a difficult task to implement this type of accounting in India due to lack of information to stakeholders regarding the additional cost expenditure and implementation effects. Most of the companies unaware of the outcomes and hence would not wants to implement this tool.

Green accounting is a path for expansion and it is sustainable future when the companies are making their final accounts or their balance sheets, they usually consider the internal costs such as the labour cost and material cost which affects the balance sheet of the organization. External cost such as the environmental cost, social cost, and the economic cost are after ignored. The company must take external factors also so that the scare resources can be carefully and efficiently used.

Green accounting is the popular term for environmental and natural resources accounting, which incorporates environmental assets and their sources and sink functions into national and corporate accounts. When green accounting is incorporated at every level of the organization, higher environmental responsibility can be attained.

REVIEW OF LITERATURE :

Heba Y. M. and Yousuf (2010) By observing the concept based on the environmental accounting, explored techniques which can be used in environmental reporting, it helps the companies become more aware of their corporate responsibility as well as the government could use the environmental reports to keep track of the acts of the companies towards the environment. The author also observed that there is parallel increase in measuring the environmental performance as the need for environmental accounting increases.

Ligi Jolly (2014) In this article, author has explains that there is a need to develop system of national accounting that fully incorporates the capital stock that determines our earnings. Better macro economical and social indicators are needed to reflect the contribution of biodiversity and eco system service to human well being. One approach that is gaining momentum across the globe is green accounting whereby national accounts are adjusted to include the value of natures goods and services.

Vandana (2016) Explains the green accounting is an accounting system that measures the currently economic losses that are experienced by renewable and nonrenewable resources in the environment. Green accounting will help the organizations to identify the resource utilization and the cost incurred on the eco system by the activities of the industries.

Archana T. A. (2017) The study focused on the extent to which Indian corporate practicing voluntary environmental reporting with regard to the environmental parameters identified. In the study developed a model which specifies six aspects to be covered in environmental accounting in order to measure the ultimate environmental performance of the organizations. The aim of this model is to present a different activities to be undertaken by organizations to facilitate environmental accounting and reporting.

Varsha Agarwal and Kalpaja L. (2016) Explains the green accounting is a path for expansion. Green accounting helps the efficient use of resources and reducing pollution factors to an extent. Green accounting plays a major role in the corporate social responsibility (CSR) of a firm. Green accounting helps in environmental sustainability. The organizations must take initiative to implement green accounting in all the levels of the organizations. By using this tool, many of the environmental costs can be reduced by proper decision making and also by implementing greener technologies.

OBJECTIVES OF THE STUDY :

- 1) To study the need for adoption of Green Accounting.
- 2) To study the importance of Green Accounting.
- 3) To study the limitations of Green Accounting.

DATA COLLECTION:

The present study is based on secondary data which is collected from various publications, journals, magazines, reference books, internet etc.

NEED FOR ADOPTION OF GREEN ACCOUNTING :

Many of the companies do not give much importance towards environmental accounting when composed to its financial accounts. The natural resources are depleting rapidly and hence keeping an account of the environmental costs would help in using the resources efficiently. The need for this study was to make people understand and aware about the importance of green accounting and reporting in companies. So, that there would be better sustainability as well as to understand the corporate social responsibility of the companies towards the environment.

IMPORTANCE OF GREEN ACCOUNTING :

- 1) It would facilitate forming informed decisions related to their business activities.
- 2) Green accounting would enable governments to evaluate choices better without a bias against future generations, or a bias in favour of man-made assets as against natural assets. It would present in a different and holistic economic light choices such as conserving precious ecosystems rather than surrendering them at throwaway prices.
- 3) It is useful for improving environmental performance, controlling costs and promote sustainability.
- 4) It is useful for developing greener processes and products.
- 5) It would encourage the government as well as the corporate to investing in cleaner and efficient technologies.
- 6) Green accounting is to adjust traditional measures of growth and to re-cast them as measures of sustainable growth. There it could be fair and true measure of the national wealth.

LIMITATIONS OF GREEN ACCOUNTING :

- 1) There is no standard accounting method as lot of study is required.
- 2) It is not possible to value every component of natural capital and human capital in an accurate manner.
- 3) It is not possible draw conclusion in an easy way as it is a long term process.
- 4) The cost involved in training of staffs and employees is high.
- 5) Green accounting is an evolving science and still under study.
- 6) For valuation of natural resources consumed like decreasing forest cover, carbon gases emitted in the air, unbiased and true data would be required. Sometimes official statistics may be rosy and may not reflect true picture.
- 7) Comparison between two companies and two countries is not possible due to change in the method of accounting.

SUGGESTIONS :

- 1) It is a necessity to create awareness about green accounting and green reporting to the organization as well as to the general public.
- 2) Strict action must be taken by the government if environmental norms are not followed by the organization.
- 3) The company must disclose its information regarding environmental accounting as a part of its annual report.
- 4) There must be more of strict environmental norms and legislation created by the government.

CONCLUSION :

Green accounting is the popular term for environmental and natural resources accounting, which incorporates environmental assets and their sources and sink functions into national and corporate

accounts. The adoption of basic elements of green accounting will portray the role of environment in the economy. Green accounting will help the organization to identify the resources utilization and the cost incurred on the ecosystem by the activities of the industries. This green accounting is a new system in accounting which records costs and benefits rendered by the ecosystem to a business concern. Green accounting is one of the need and importance in each and every organization but also some limitations are there, green accounting help us keep a track of it and how it can be used and what can be done for maximum utilization of it. It also tries to explain how important it is for companies to implicate green accounting for better utilization of resources and also for the sustainability of the environment.

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