



A NEW ERA OF ACCOUNTING- GREEN ACCOUNTING

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ABSTRACT :

In today's scenario corporate social responsibility is one of the key sources for an organization to maintain its goodwill among the public. This factor led to the development of a concept known as Green Accounting or Environmental Accounting. Business Organization operates in the society and during its various business operations it uses all the vivid resources from the society, talking about resources we know that some resources are available in plenty where as some resources are scarce and thus this scarce resource needs an attention. Prof Peter Wood was the one who had drawn attention of business organization towards environmental protection and its well-being and developed a new branch of accounting named as green accounting which was renamed as resource accounting or integrated accounting. Basically green accounting showcases the commitment of the business organization towards environment and resources in the environment. So the research paper concentrates on green accounting, its importance and well being that it brings in for business concerns.

KEYWORDS : Resources, Business Organization, Environment, etc.

INTRODUCTION

In this growing pace of 21st century the major issues that has confronted major business houses is the environmental problems. Constantly and over ages it has been seen that various operation undertaken by business organization leads to huge destruction to the environment surrounding it and its repercussion are viable now. Taking this into consideration an economist Peter Wood started with the usage of a concept named as green accounting. Later this concept was brought forward in India as a branch of accounting by former Environment Minister Mr. Jairam Ramesh. He emphasized the real need and importance of green accounting to be incorporated in organization as a part of accounting in section of corporate responsibility.

Green Accounting is termed as such a mechanism of accounting that tries to segregate environmental cost into financial results. In other words it is systems of calculating income of an organization by taking into account the harm and depletion caused to natural resources. Green accounting is such a concept which once implemented will set on the limit on business organization regarding over usage of natural resources and causing harm to the environment, not only this it will also take into consideration that the business houses payback for the devastation that they have caused to surrounding environment in



way of corporate social responsibility. India and its government has taken step to include green accounting as accounting branch by stating it in New Companies Act 2013 under head of Corporate social responsibility. So we can claim that green accounting is the way of sustainable accounting.

GOALS OF GREEN ACCOUNTING:

Green accounting was framed up with basic global objective that are stated below:

1. For the assessment of environmental cost incurred and benefits received.
2. For assessment and accounting of tangible resources.
3. For elaborating and measuring the indicator of environmentally adjusted product and income generated through it.
4. For building up a link between physical resource account and financial environment account.
5. For identifying and detecting that cost which will compensate the negative impact caused to the environment through overuse of resources.

Need and Opportunities Associated with Green Accounting:

India as a developing country faces two major problem i.e. economic development and saving environment. So in order to bring in economic growth and development India has to work on the reasons or factor that are harming its environmental resources and becoming an obstacle to future prospects. Thus an urge of green accounting was felt and a mechanism was framed up to protect and reduce environmental harm. The concept had an opportunity of analyzing and indentifying the internal and external cost compared to the benefits derived out of environment. Green accounting is in itself is a whistle blower for business houses and government. Many organizations have started hiring environmentalist for accounting and evaluating the cost of cutting pollution and adding benefits in relation to tax reliefs from government taxation policy. So there is a real need of green accounting adoption by all business houses so as they can grab the opportunities that are associated with it.

Importance of Green Accounting:

India a country which is world second largest populated country is facing problem regarding its resources that are in peril. So, Green accounting implementation facilitates the country in protecting and safeguarding depletion of resources. Changes in the environment and the surrounding climate is directly related to business houses because of over use of resources or by emission of waste so it has become crucial to keep a track of resources being harmed by business houses. Green accounting proves to be a boon in such case where it helps in maintaining sustainable and healthy environment for next generation. It is also important for a country to know about its economic goal and environmental goal in order to maintain stability between both and here green accounting comes into picture that fills in the gap between economic and environmental goal and keep both the goal balanced, this is because both the goals are linked with GDP of an economy. Thus if both are managed effectively then GDP of the country can boost up. Green accounting is a tool to establish environment centered management system within the organization. Green accounting ones implemented in the organization helps in analyzing, evaluating and reporting of performance of environmental activities of the business this observation is important because a step to maintain and sustain environment creates good brand name in the eyes of consumer. Green accounting also provides insight regarding how much resources are available, how much resources are used and when to use these resources. So green accounting creates a sense of awareness among the business houses regarding resources its nourishment and sustainment.

Criticism Faced by Green Accounting:

Green accounting in itself is an innovative and self sufficed concept that involves easy implementation and functioning but still it is facing ample of criticism. As we know that when a process of accounting takes place it has set standards and code of conduct but in case of green accounting there are no standards for its conduct. Moreover implementing green accounting as a branch of accounting in business organization involves added cost to the business and not to the society so business houses refrains from its implementation. Green accounting is a long, continuous and cumbersome process so conclusion regarding use of resources and destruction caused to environment cannot be concluded easily as it requires span of

time. Even if conclusion is drawn then there is no such tool to measure the level of devastation caused. Green accounting is basically a theoretical concept and it does not involve practical application. It is been observed that now days even though there are certain tools developed to measure the demolition caused to environment but installing these tools are very expensive thus business houses will not consider its installation. Apart from all these there are number of techniques of valuation and sustainability indicator that becomes hindrance in carrying out green accounting because parameter of both the concept does not match. Thus these were the few drawback or loopholes in implementing green accounting successfully as a branch of accounting.

CONCLUSION:

Green accounting as a concept is at its budding stage in India, not only in India but at large many country are in its primary stage regarding implementing green accounting as a branch of accounting process. Even though green accounting is facing criticism but its installation really creates value in environmental sustainability. Green accounting is crucial because it takes into consideration the various resources in the environment and the changes that are taking place in these resources and environment. Green accounting if carried out effectively and efficiently integrates to national account and thus provides a base for planning and computing policies regarding healthy sustainable development and growth of the nation along with taking care of the environment and its resources. Thus business houses need to undertake green accounting at initial stage so as to control pollution caused to the environment and its surrounding. So we can say that green accounting should be ehampzied by laying down various standards of measures and parameter for business houses to move step forward for protection of environmental resources. Green accounting is a concept which if listed properly will definitely yield good returns not only to business organization but also to economy as a whole in term of growth and overall development of nation.

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