

## **Trends in setting Environmental Accounting Standards and Reporting**

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**Abstract:** The world is having much of the natural resources which are utilized by the many of the industries to run a show and to gain profit but in the mean while organizations is thinking towards contributing some positive aspects to the society and in order to carry out these activities organizations are planning to have accountability towards environment through Environmental Accounting. The paper focuses on process of environmental accounting standard that need to be managed by the organization and some of the practices that are managed by the organization which acts as environmental standards. Paper also focuses on hurdles faced by organizations in setting these environmental standards.

**Keywords:** Environmental Accounting, Environmental Management System

### **Introduction:**

Environmental management accounting system has been emerged as new tool for the purpose of sustainability. Chang (2007) Defined EMA as tool that emphasizes assistance to the organization to manage environmental performance and environmental reporting information to the internal and external stakeholder of the organization. The impact of changes of biodiversity and the rise of voice of responsibility towards the environment in the form of CSR has emerged the rise of Environmental Accounting. Loop holes of conventional accounting system in providing the information for reduction of costs and its impact has led to the emergence of Environmental Management Accounting (Gale, 2006 and Jasch 2006)

Green Accounting terminology was introduced into common usage by economist "peter wood" in 1970. "Environmental Accounting includes putting a volume on a nation's common assets like timberlands and oceans" Its otherwise called Green Accounting, Natural Revealing Natural Affectability. Expanding threat to condition, augmentation of numerous types of plants and creatures, consumption of ozone layer, the unnatural weather change, utilization of fossil, powers discharging Greenhouse gas has become a reality. States which are considered as trusts of nature for people in the future are progressively receiving the way of supportable improvement in this arranging, process and detailing together guideline for industry dependent on the 'Soft Law developed at the first instance'.

Environmental accounting is the utilization of conventional bookkeeping and money related standards to figure the costs that association choice will have sway on the earth.

Three methods are used in order to implement Environment accounting

1. Financial accounting
2. Managerial accounting
3. National Income accounting

Financial accounting is the process of preparing financial reports for investors, lenders and governing bodies and public regarding earning statements.

Managerial accounting is used to make decision making internally in the organization for procurement of materials, or machines or inputs required for production of goods and services.

The main feature of Environmental Accounting is that it acts as a catalyst for an organization in making decision by organizing information flow and carrying out environmental value chain analysis to develop new strategies.

### **Need For Environmental Accounting.**

- Environment accounting helps the firms or organization to achieve the set goals by discharging its responsibility towards sustainable development. Environmental accounting addresses.
- Regulatory requirements that need to be addressed by the organization, such as the standard level usage of chemicals and effluents

- Transplant culture from top to bottom regarding unnecessary usage of materials that affects and add cost to the environmental accounting
- Ensuring safe disposal hazardous waste.
- Practicing environmental accounting assists employees not to waste stationaries and supplies, which also leads to environmental cost.

### **Objective of the Study:**

- To know steps of corporate environment accounting and reporting
- To study corporate accounting and practice of reporting on green accounting
- To find hurdles in the development of these practices

### **Research Methodology:**

Research is carried out by using secondary data by looking at the websites of the company and looking into reports of the organization which were available at their websites.

### **Literature Review:**

The major part of business strategy is to adopt Environment accounting and Reporting that enumerates the environmental component of business strategy, developing the required functioning reports and identifies the different skills required to measure, compose and scrutinize the data. (Qureshi et al., 2012).

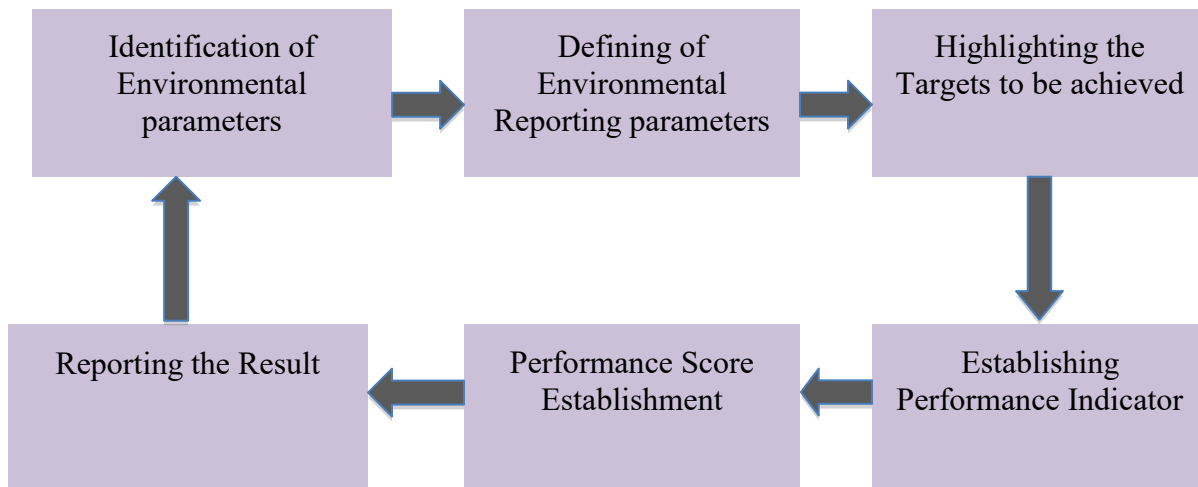
Noticeable examination is on age of reports and their guidelines, for the scope of business and administrative purposes. It was recognized in the investigation that the significant obstacles for keeping records of environmental affairs detailing and inferred that for practical advancement of nation, a very much characterized ecological strategy just as appropriate development and legitimate methodology is an absolute necessity. Except if average folks of India are not made mindful about ecological harms and wellbeing, improvement of environmental accounting in such manner is truly gets troublesome. (Qureshi et al., 2012).

project on green accounting methodology for India and its states, done by (Gundi meda et.al., 2005). argue the case for Green Accounting for India (i.e. a framework of national accounts and state accounts showing genuine net additions to wealth) and to presented a preferred methodology and models to reflect natural capital and human capital

externalities in India's national accounts, measuring as depreciation the depletion of natural resources and the future costs of pollution, and rewarding education as an addition to human capital stock.

Mukesh Chauhan(2005), clarifies the different types of Environment accounting, its extension, constraints and legitimate system in Indian setting. He came out with a recommended system for executing Environment accounting rehearses in India and reasoned that It is the call of the time that corporate set up a firm in natural strategy, make strides for contamination control, consent to the related standards and guidelines and notice satisfactory intricacies of ecological viewpoints in the yearly explanations. For economic advancement of nation, a very much characterized natural arrangement just as legitimate development and appropriate accounting system is an absolute necessity

### **Phases of Environmental Accounting:**



- 1. Identification of Parameters:** Environmental reporting parameters identification is the first stage of environmental accounting process, stage consists of identification of different parameters of environmental reporting that has been adopted by the organization such as health safety and environment, sustainability reporting, water management, wind management, waste disposal management, environmental liabilities and environmental costa and assets.
- 2. Defining the reporting parameters:** Reporting parameters to be developed is the 2<sup>nd</sup> stage and requires the officer to develop operational factors for each of the parameters

set by them and organization also need to develop how to measure the performance on the long run.

- 3. Highlighting the targets to be achieved:** In this stage organizes establishes the benchmark to be achieved with respect to sustainability for the period of short term and long term.
- 4. Establishing the performance Indicators:** In this stage indicators for each of the programme need to be set and the framework for each of the policy enactments need to be established such as water management policy framework, waste disposal practices, health and safety measurements.
- 5. Measuring the Performance Scores:** Organization measures the actual performances and checks with the standard set and find out any deviations are present. For example waste management need to evaluate quantitatively and also health and safety policies. Whereas environmental policies need to be verified qualitatively.
- 6. Report the results:** The report of result analysis should be provided to top management, which should highlight the environmental accounting performances in terms of financial performance achieved by the organization.

### **Scope of the Environment Accounting:**

The room for utilization of environmental accounting is to evaluate the cost of maintaining standards of Environment which are in line with the various laws set by the government or private bodies towards practices of environmental standards.

### **Organization benefits in the form of**

- Reduction of operating costs:
- Reduction of energy and resource consumption cost
- Strategic decision making for discontinuing of certain products and services
- Acts as competitive advantage by minimizing environmental impact through design of new product and services

Practices of Environmental accounting standards of top companies in India.

| Company Name      | Benefits of Environment Accounting  |  |  |   |   |
|-------------------|---|--|--|---|---|
| WallMart          | Improved Sustainability Index Score by 28% compared to 2016                                   | 6.1% reduction in Scopes 1 & 2 Annual Greenhouse Gas Commission                        | 78% of Waste Diverted from land  | 28% of electricity from renewable energy                                    |   |
| Cocacola          | Developed Human right training policy programme   | 5% reduction in injuries compared to 2017  | Reduced carbon footprint of (drink in your hand by 20%   | Using 56.27% renewable energy and low carbon energy in operations           | Weighted average of 50% of recycled plastic bottles usage |
| Grasim Industries | 37% reduction in Water Consumption  | 26% reduction in Waste Water Discharge   | 13% reduction in sulfur emission   |   |   |
| Asian Paints      | Pb<900 Ppm lead declaration has been labeled  | 540+ million litres of water replenished   | 54% electricity consumed by renewable energy   | 2.5 millions of trade effluent reduced                                      | 28000+hours training for health and safety                |
| SBI               | A total of 10,814 trees have been planted in these villages<br><br>Cost saving of 33.17 crore | Skill Development and Livelihood Creation<br>460 youth have been trained at SBI RSETIs | 2,372 toilets were constructed with the support of government schemes and community contributions. | RO water systems improved the current existing drinking water sources likes | YONO app  |
| Infosys           | 59.96% reduction in per capita water consumption  | 55.05% reduction in per capita electricity Consumption                                 | Pledged to make campus free single use water bottles by  |   |   |

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### **Hurdles of implementing Environmental Standards:**

**Lack of Commitment:** Many of the large organizations will be having an commitment from the top level management whereas in many of the Medium and Small scale industries there will be less commitment from the side of management or from the manager as their goals will be set towards achieving goal of profit.

**Lack of Funding's:** When compared to large scale industries many of the small and medium scale industries will be lagging with the funding's that can be utilized for maintaining additional environmental accounting in financial accounting books.

**Lack of Knowledge:** Most of the small scale and medium scale industries will be having a manager who will not be having accounting knowledge, where the company prefer to have external source for managing accounting standards. Even if the company employees are having knowledge of financial accounting but lag in Environmental accounting.

**Lack of reporting:** Reporting a financial transaction is very easy task where as the cost and profit occurred in managing the environmental accounting will be tougher task for a person who is a fresher in the company.

**Conclusion:** Environmental Accounting standards is considered is one of the best strategy which will have a greater impact to the organization, if followed in right manner but in India Big giants to name a few like reliance, future groups, ITC, Cocacola and SBI etc. is following reporting practices which has bought greater advantage in reduction of resources whereas the small and medium scale industries are facing problems in reporting the environmental accounting, the trend need to be switched into opportunity that need to be taken from the SME's in order to obtain profit and goodwill.

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