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# STRATEGIC MANAGEMENT ACCOUNTING

*Edited by*

P. MOHANA RAO

Reader in Commerce, P.G. Department of Commerce,  
S.K.C.G. College, Paralakhemundi, Orissa

*and*

BHIBUTI B. PRADHAN

Professor, Institute of Business and Computer Studies,  
Iagamara, Bhubaneswar, Orissa



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## The Environmental Audit: A Management Tool

M. SELVAM AND S. MANGAIYARKARASI

### INTRODUCTION

In India there is a governing interest in all segments of society about environmental issues. Awareness about this issue has increased tremendously only from the beginning of this decade. The credit for this awareness goes to the three important developments as detailed below:

1. Stringent rules and regulations to control the major pollution,
2. Agitation of public and non-government organisations to prevent and control the pollution, and
3. Wide coverage of media/press on this issue.

It is necessary at this stage to study the environmental issues and appropriate tool to check them. Therefore, this paper highlights the environmental issues and the innovative Tool-Audit scheme on environmental pollution, which is considered to be an effective management tool.

### ENVIRONMENTAL MANAGEMENT

Over the past few years, industry has increasingly come to realise that a sound environmental management is equated with good management. Moreover, better environmental management ensures resource savings and thereby helps to cut-down production cost. Recycle and reuse of wastages have led to cost savings in many chemical cleaner technologies that generate less waste and make production more profitable to some extent. It is no doubt that industry can get benefited from a critical self-examination of the processes and technologies it employs to identify areas where there is a scope for improvement and foresee the potential problem areas particularly pollution and human health. There is no second opinion that Environmental Audit (EA) is a part of that self-analysis.

### DEFINITION OF ENVIRONMENTAL AUDIT (EA)

There is no specific definition accepted globally for EA covering all aspects and applicable to all context. However, it is appropriate to refer to the definition given by International Chamber of Commerce—"Environmental auditing as a basic management tool comprising a systematic, documented, periodic and objective evaluation of how well environmental organisation, management and equipment are performing with the main aim to safeguard the environment by:

- facilitating management control of environmental practices, and
- assessing compliance with company policies, which would include regulatory requirements".

In short, Environmental Audit (EA) is an excellent management tool to control the pollution and allied problems of an industry.

### AIMS OF ENVIRONMENTAL AUDIT

As stated earlier, environmental audit which is a

management tool is an internal process of an industry. It involves a systematic, objective, documental and periodic evaluation. Its specific aims are:

- waste reduction/prevention,
- assessing compliance with regulatory requirements,
- facilitating control of environmental practices by a company, and
- placing environmental information in the public domain.

#### BENEFITS OF ENVIRONMENTAL AUDIT

The primary benefits of an EA is that it ensures cost-effective compliance with laws, regulations, standards and company policies.

The secondary benefits of EA are summarised below:

1. EA creates awareness among the workers about audit.
2. It creates confidence and co-operation of workers.
3. It helps in identifying compliance, problems and area of risk.
4. The strengths and weaknesses of an industry are pinpointed during the process of EA.
5. EA encourages the use of low waste technologies, prudent utilisation of resources and identification of potential hazards and risks.
6. It enhances the reputation of the company.
7. It is no doubt that the customers' confidence can be enhanced.
8. It creates a comprehensive database relating production to pollution of all facilities.

#### GENERAL APPROACH TO ENVIRONMENTAL AUDIT

The approach of EA may undoubtedly vary from one plant/industry to another and no single approach may be suitable for all. As mentioned earlier, EA is a process of self-analysis and therefore, industries themselves may conduct EA

under the Guidance of expert professionals. It is to be carried out by a small, qualified, independent team of people. EA comprises two steps in its approach.

The first step of EA is that a multi-disciplinary audit team consisting of expertise in general environmental matters (policy, regulations, environmental management, etc.) and specific environmental expertise (ecology, environmental toxicology, fate and behaviour of potential contaminants), abatement technologies and operational aspects, to effectively perform EA.

The second step of EA is that the team should collect pre-visit information. The records of an industry naturally would contain background information on the nature of the operations and environmental matters relevant to the plant. On the basis of informations/data available in the records the audit team identifies main areas for consideration, develops audit programmes and allocates specific tasks to team members.

#### GUJARAT EXPERIENCE

In the recent past Gujarat state has experienced rapid industrialisation. As a result of rapid growth there has been inseparable environmental degradation in the state. There was a strong feeling that the pace of environmental degradation can be reduced by adopting appropriate Environmental Management System (EMS) to reduce the discharge or emission of pollutants. In Gujarat measures to reduce pollutants has not been taken in proportion to the growth of industrialisation causing environmental pollution.

The year 1995 witnessed the reaction of the society to the problem created by the industrial pollution when people approached Hon'ble High Court of Gujarat to get Justice. This period witnessed some 756 industries in Ahmedabad being closed due to inadequate EMS and failure to comply with the statutory requirements for discharge/emission/disposal of the wastages.

The court devised a scheme which is popularly known as Environmental Audit Scheme and also directed the Gujarat Pollution Control Board to implement it with immediate effect. This is how the environment audit scheme, the first of its kind in our country was born.

### CONCLUSION

Environmental Audit provides reliable and useful information to the management in all respects as practiced around the world. The very aim of EA will be achieved only when the EA is 'willingly' accepted by all the industries. It is natural that there may be one or two industries which do not comply with this. In such a case, they must be forced to comply with this provision in a phased manner with appropriate regulations.

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## Concept and Management of Productivity

R.L. HYDERABAD

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### INTRODUCTION

The importance of productivity in any economy or an enterprise cannot be overemphasised. Productivity is crucial for socio-economic growth of any country. "The grim pressures of unemployment, under-employment, inflation and poverty and the resultant unrest and schisms within a society are largely the consequences of its low and/or declining productivity."<sup>1</sup>

To India, the need for productivity or higher productivity has become a basic condition for growth. Many of the problems of our country can be solved by being productive in utilising available scarce resources. "In our country, we have resource constraints coupled with the pressure of ever-growing population. The urge to develop and the urgency to develop, particularly in the rural sector, is today greater than ever before considering the international situation. Our share of the global trade has no proportion to our size. There is still a wide gap to be removed to balance exports against imports."<sup>2</sup>

In the context of liberalised regime, the significance of productivity has further heightened. The modern free-economic